



Annual Integrated Report **2022**

Full focus on the energy transition



Boosting driving experience and brand identity

Our AVAS compliant internal and external sound solutions help create a better driving experience and feature SoundDesigner software that allows manufacturers to create a unique, brand-specific vehicle sound.



Ensuring optimal use of wind energy

Integrated into the azimuth drive of a wind turbine, our electromagnetic brakes hold the nacelle into the wind, optimizing energy capture.



Securing passenger safety and comfort

Our products for suspension systems guarantee the highest level of passenger safety and comfort in tomorrow's vehicles, under different driving and road conditions.



Transporting heavy loads safely

Our electromagnetic brakes stop electric-driven warehouse vehicles promptly in emergency situations, keeping staff safe and material in pristine condition.



Allowing operator and robot's smooth collaboration

Safety brakes in robotics have two primary tasks: 1. hold a robot in place and 2. dynamically stop and hold position in the event of power loss. Our brakes help ensure safe and smooth robot operations 24/7.



Flexible and safe X-ray operation

Mobile C-arms, based on X-ray technology, can be used flexibly in various ORs within a clinic. Our brakes selectively lock and release the vertical motion of a C-arm, ensuring patient safety at all times.



Providing smooth and sustainable mobility

Electronics and controllers help vehicles use less energy without sacrificing comfort. Our ECU controllers ensure seamless interaction between electronics and mechanics, enabling a pleasant, energy-efficient mobility experience.



Operating heavy-duty construction equipment safely

Our brakes for cranes feature very fast switching times, a robust design with IP66 sealing and high emergency stop energy to keep them from rolling or catching momentum down the runway on a construction site.



Preventing waste of water in public washrooms

Our electromagnetic switching and proportional valves for touchless faucets in public washrooms ensure good hygiene, reliable activation and the lowest possible water consumption.



Ensuring passenger safety during dialysis treatment

Meeting very strict standards to ensure patient safety, our Power Pinch Valve clamps the blood flow precisely, reliably, and quickly with a very high clamping force of 42 Newton. It is also suitable for inexpensive PVC tubing.



Supporting emission-free industrial heating processes

Our inductive heating systems provide manufacturers a precise, green, and future-proof solution for a wide variety of industrial heating processes.



Improving intralogistics operations and cost-efficiency

In intralogistics, our advanced solenoid assemblies help implement fast and precise package assignments, redirections & holding and stopping operations. It improves operational and energy efficiency and reduced costs.



2	How our products impact everyday life	25	Members of the Executive Board	110	Financial statements
5	Profile	26	Report of the Executive Board	189	Other information
6	Organization	26	Industrial activities	189	Provisions in the Articles of Association governing the appropriation of profit
7	Preface Joep van Beurden, CEO	29	Automotive activities	190	Independent auditor's report financial statements
9	Facts and figures	32	Kendrion China, Kelly Tuo	202	Limited assurance report non-financial information
11	World map	34	Financial review	205	Five-year summary
12	Strategy and financial objectives	37	Sustainability	206	Principal subsidiaries
16	Enabling energy transition	62	People & Culture	208	Glossary – definitions of non IFRS financial measures
22	Share and shareholder information	70	Outlook	210	Reconciliation of non IFRS financial measures
		72	Risk management	213	About the Sustainability Report
		80	Corporate Governance Report		
		86	Members of the Supervisory Board		
		88	Preface Frits van Hout, Chairman of the Supervisory Board		
		89	Report of the Supervisory Board		
		95	Remuneration Report		

This document is the PDF version of the 2022 Annual Integrated Report of Kendrion N.V. and has been prepared for ease of use. The European Single Electronic Format (ESEF) reporting package is available on the company's website at www.kendrion.com. In case of discrepancies or ambiguities between this PDF version and the ESEF reporting package, the latter prevails.

PHOTOGRAPHY AND IMAGES

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A digital version of this Report is available on the websites www.kendrion.com and annualreport.kendrion.com along with other publications such as press releases.



Kendrion designs, manufactures and delivers intelligent actuators that help advance the global push towards electrification and sustainable energy.

Today, these compact, smart actuators are used in wind turbines, robots, factory automation, electric vehicles, energy distribution, and industrial heating processes, where they support OEM customers around the world to transition to safer and cleaner forms of energy.

As a technology pioneer and innovator, building on a foundation of over 100 years of experience, we are driven by a desire to explore creative solutions to the engineering challenges of tomorrow. Our modular product design approach and agile way of working enable us to create complex products and customized systems that save our customers time and costs and has made Kendrion the trusted partner of some of the world's market leaders in the industrial and automotive segments.

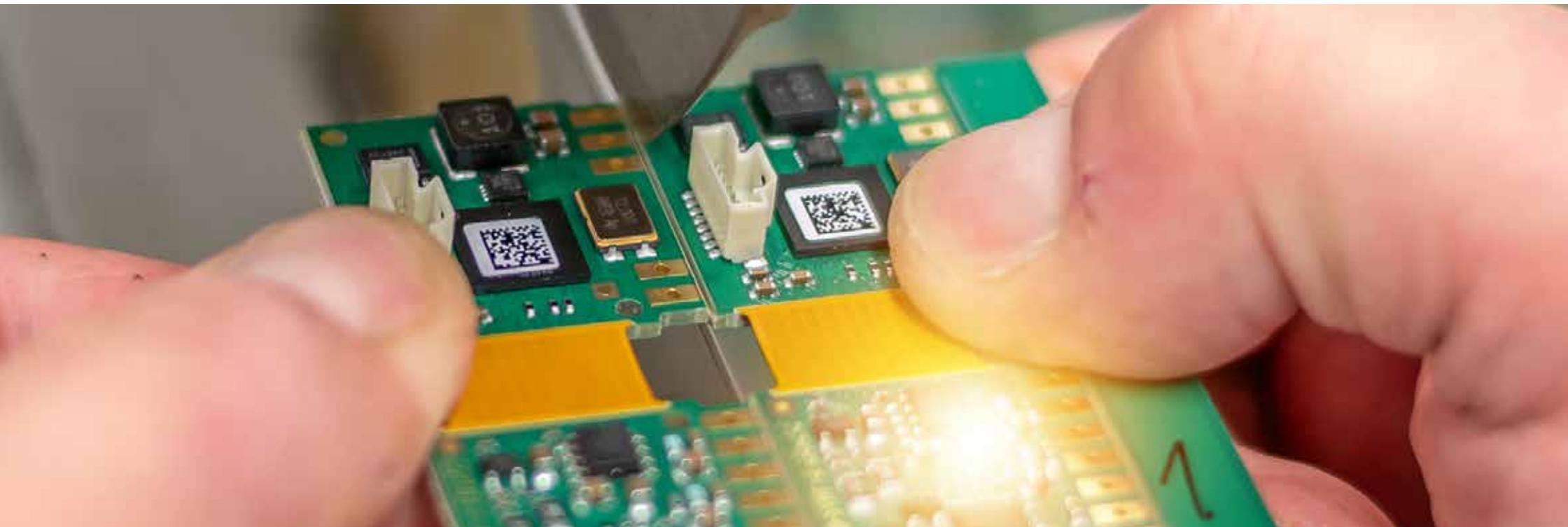
We actively and consciously source, manufacture, and conduct our business. Sustainable business practices are integrated in our processes and embedded in our culture.

Rooted in Germany, headquartered in the Netherlands, and listed on the Amsterdam stock exchange, our footprint extends across Europe to the Americas and Asia.

Precision. Safety. Motion.

Enabling energy transition





INDUSTRIAL

AUTOMOTIVE

INDUSTRIAL BRAKES

INDUSTRIAL ACTUATORS AND CONTROLS

AUTOMOTIVE CORE

AUTOMOTIVE E

We are full-line provider of electromagnetic brakes for electromotors in industrial end markets.

We focus on customized solutions for industrial applications based on electromagnetic actuators, control technology and fluid technology.

Focus on the production of existing valve, actuation and control technologies for combustion engine commercial and passenger car vehicles.

Focus on the development and marketing of advanced smart actuator and control technologies for electric and autonomous driving vehicles.

Full focus on the energy transition



Joep van Beurden, **CEO**

Looking back, 2022 was another challenging year. Russia's invasion of Ukraine compounded the difficulties caused by the COVID pandemic that dominated 2020 and 2021. Yet while supply chain volatility, soaring energy costs and inflation continued to affect businesses around the world, we nonetheless delivered strong results. I am proud of our performance, and of the progress we have made towards our ambitious financial targets for 2025. We are only at the beginning of the broad energy transition to cleaner forms of energy, and Kendrion is well positioned to make full use of the opportunities this presents to our Business Groups and in China.

I would like to commend everyone within Kendrion for their relentless efforts, their continuous push for better results and their flexible, positive approach to the challenges that impacted not only their work at Kendrion, but also their private lives.

Extraordinary results in a volatile market

We started 2022 with optimism, ready to get back to 'business as usual'. However, reality turned out differently: volatile market conditions continued to affect our operations in all Business Groups and geographical areas. Bridging the gap between unpredictable demand patterns and continuing raw material and semiconductor shortages was both a major concern and a priority; it required enormous flexibility in our resource and production planning. In the automotive industry, the number of passenger cars produced globally remained at 2021 levels.

In Europe however, production was 7% lower than in 2021. Following the increases in raw material costs, we raised our product prices, but the unavoidable time lag pressured our margins temporarily.

In this difficult business environment, our Group increased revenue by 12% to EUR 519.3 million compared to 2021. In Industrial, we grew by a strong 19% from EUR 231.5 million to EUR 276.5 million in 2022, fueled by demand for actuators related to electrification such as our industrial brakes. Organic revenue in Industrial is now 26% higher than pre-COVID. It makes up 53% of Group revenue. In Automotive, our revenue grew by 4%, as the predicted growth of the passenger car market did not materialize.

Towards a leading role in enabling cleaner energy

All our Business Groups focus on delivering smart actuator products that support the broad energy transition away from oil, natural gas, and coal, towards cleaner forms of energy.

In Automotive we focus on actuators for sound, suspension, and sensor cleaning, three products specifically aimed at Autonomous, Connected, Electrified and Shared vehicles, or ACES. In Industrial Brakes, we benefit from the fast-growing market for electromotors. As most of our brakes are sold as part of an electromotor, IB's business is directly related to the flourishing market for electrified solutions. This includes areas such as intralogistics (AGVs and electric forklift trucks, and

more), robotics and wind power. Our Industrial Actuators and Controls (IAC) Business Group product portfolio includes modular, electrified induction heating systems to replace traditional heating solutions that use gas or oil, circuit breakers for electricity distribution systems, and a safety actuator for nuclear power facilities.

Securing profitable growth

Our confidence in these opportunities is reflected in two key strategic initiatives we took in 2022: the new Automotive 'E' organization, and our new factory in China.

To ensure even more focus on the ACES, our Automotive Group will operate in two distinct organizations: Automotive 'Core' and Automotive 'E'. Core will focus on existing technologies for vehicles with an internal combustion engine (ICE), while E will concentrate on opportunities within the transition towards Autonomous, Connected, Electrified and Shared (ACES) mobility.

I expect that the new structure will increase the efficiency and cash generation of our existing combustion engine business, strengthen our innovation, and support the development of strategically relevant products such as AVAS sound systems, active suspension, and sensor cleaning. In fact, we're already seeing the results, with a significant first order for one of our sensor cleaning products.

In addition, our new state-of-the-art factory in China will enable us to better serve our Chinese customers. The 28.000 m² facility will be the largest in the Kendrion Group. Based on our project pipeline and the many opportunities we are pursuing in China; we expect to reach maximum capacity by around 2027. We anticipate starting production in the first half of 2023.

Outlook

As we move into 2023, the economic outlook remains uncertain, as inflation and a potential recession in Europe and the US continues to impact global economic activity. At the same time, the reopening of China could potentially have a positive effect.

Looking beyond the short-term uncertainty however, the global transition towards cleaner forms of energy – electrical power, green hydrogen, and nuclear power – presents Kendrion with a growing list of opportunities. We are well positioned to make use of this trend, which we expect to create substantial business opportunities for many years to come.

We will continue to prioritize our growth initiatives towards the energy transition to help us deliver on our 2025 financial targets: 5% average organic growth between 2019 and 2025, an EBITDA of at least 15% in 2025 and an ROI of at least 25% in 2025.

The global transition towards cleaner forms of energy – electrical power, green hydrogen, and nuclear power – presents Kendrion with a growing list of opportunities.



Revenue (EUR million)	Profit for the period (EUR million)	Normalized ¹ EBITDA (EUR million)	Dividends (proposed) (EUR million)	ROI ^{1,2} (in %)	Net cash flows from operating activities (EUR million)
↑ 12%	↓ NM ³	↑ 3%	↑ 5%	↑ 0.5%	↑ 36%
519.3 2021 464.0	-46.3 2021 14.4	57.4 2021 55.8	10.8 2021 10.3	15.6% 2021 15.6%	37.9 2021 27.8

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to reconciliation of non-IFRS information, starting on page 210.

² Invested capital excluding intangibles arising from acquisitions.

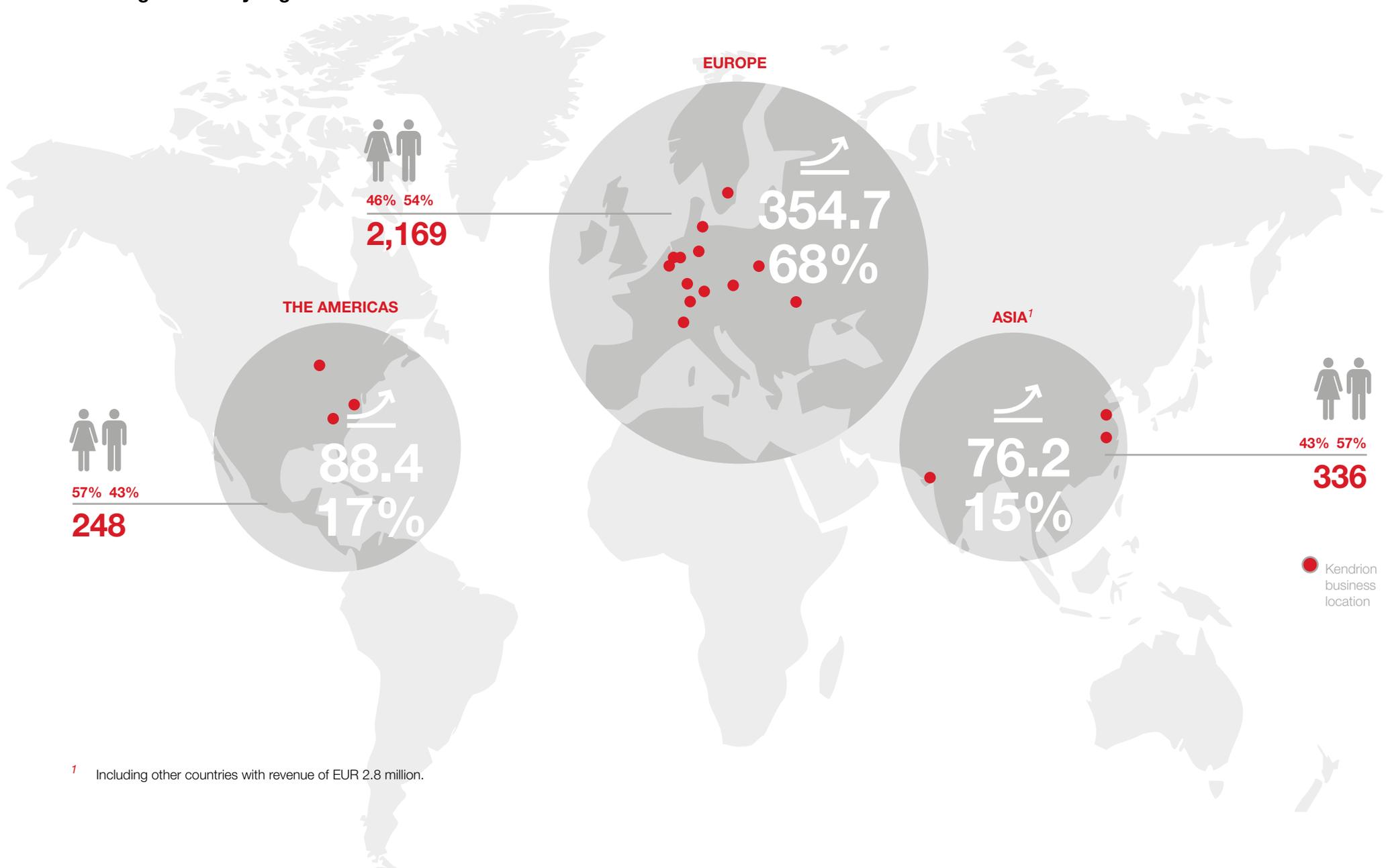
³ Not meaningful.



Total number of employees (FTE) (at 31 December)	Total number of employees by gender (in % F vs M)	Illness rate (in %)	Accidents (per 1,000 FTE)	Relative energy consumption (in tonnes kWh/million added value)	Relative CO ₂ emission (in tonnes kWh/million added value)	Number of CSR supplier audits
↑0.9%		↑14.9%	↓29.3%	↓15.2%	↓14.0%	↑11.5%
2,753	47/53	5.4%	6.5	147.2	24.8	29
2021 2,728	2021 48/52	2021 4.7%	2021 9.2	2021 173.5	2021 28.8	2021 26

Please refer to the section 'About the sustainability report' on pages 213-214 of this Annual Integrated Report for reporting periods, definitions, scope and limited assurance review.

Revenue (in EUR million) segmented by customer location
FTE segmented by region



¹ Including other countries with revenue of EUR 2.8 million.

Towards a leading role in enabling cleaner energy

As the geopolitical turbulence, supply chain volatility, soaring energy costs and inflation affected businesses around the world, Kendrion kept its focus on realizing sustainable growth, driven by the broad and accelerating energy transition towards electrification and other forms of clean energy. In 2022, despite all the volatility, we grew our revenue by 12% to EUR 519.3 million, protected our margins by passing on increased raw material prices to our customers, and realized a healthy normalized EBITDA and profit. We almost completed the construction of our new factory in Suzhou's Industrial Park in China, and – to address the changing environment in the automotive market – split up our automotive franchise into two distinct organizations: Automotive 'Core' and Automotive 'E'. Both will have full P&L responsibility and separate key performance indicators.

We anticipate that the split of the Kendrion Automotive Group will enable us to put even more focus on an Automotive segment with significant potential for growth: Autonomous, Connected, Electrified, Shared passenger cars, or 'ACES'. The new factory in Suzhou provides us with the capacity to accommodate our existing project pipeline and allows us to capitalize on the many commercial opportunities we are pursuing in Automotive E, Industrial Brakes and Industrial Actuators and Controls.

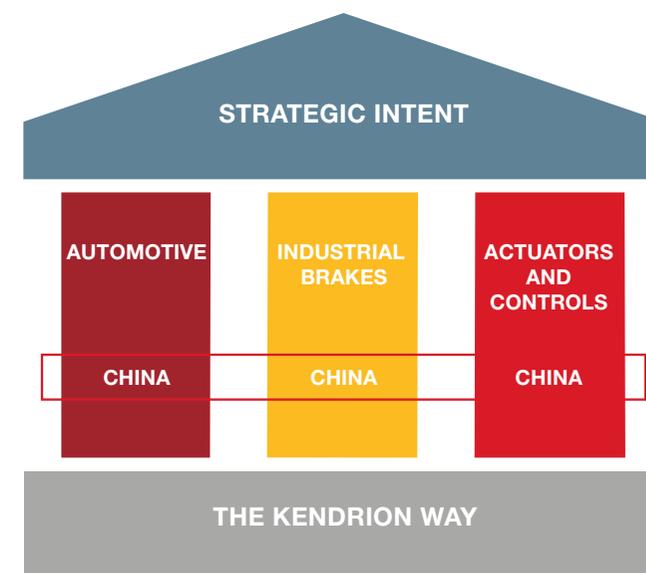
Throughout 2022, we remained focused on opportunities, which has resulted in a solid financial performance, and another firm step forward towards our 2025 financial targets, despite an unpredictable and complex economic and business environment.

Our strategy

Kendrion focuses its resources and capital on areas that are driven by the powerful, accelerating global push towards clean energy. This offers significant opportunities for sustainable, profitable growth. These include:

- Industrial Brakes: wind power, robotics & automation, and intra-logistics.
- Industrial Actuators and Controls: electricity distribution, control technology, industrial locks, nuclear power, and inductive heating.
- Automotive 'E': sound systems, smart suspension valves and sensor cleaning systems that help enable Autonomous, Connected, Electric and Shared mobility, or 'ACES'.
- China: remarkable opportunities in a range of industrial and automotive applications, also focused on enabling the energy transition and in line with the market segments mentioned above.

We are confident we can meet our financial target of 5% organic growth per year between 2019 and 2025 with an EBITDA of at least 15% and an ROI of at least 25%, based on the progress we made in 2021 and 2022, and the product pipeline development in all growth areas.



Industrial Brakes

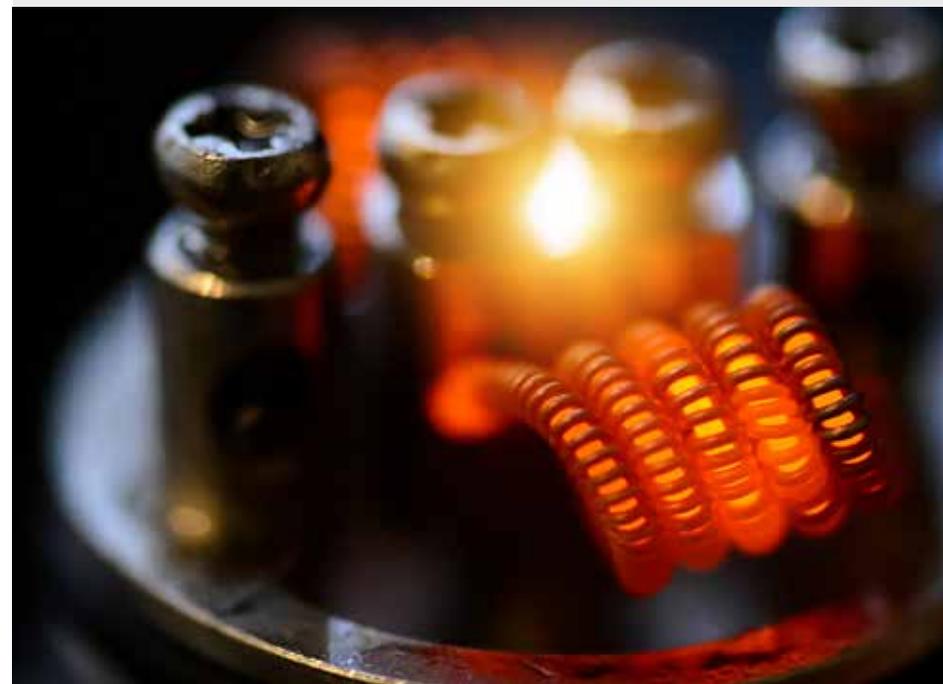
Kendrion is a leading player in the markets for permanent magnet brakes and spring-applied brakes. As the brakes from both technology types are closely integrated with an electromotor, the accelerating transition towards electrification offers Industrial Brakes (IB) a sizeable opportunity in a fast-growing market. IB's full range of high-quality products is sold across the globe, from Europe to China, the US, and India.

In 2022, like in 2021, we achieved strong growth in almost all the segments IB serves. Firstly, the ongoing automation of global industrial manufacturing processes is advancing the adoption of industrial and collaborative robots across industries. Secondly, investments in green energy are accelerating around the world, increasing the demand for wind turbines. And finally, in the internal logistics sector, warehouses for e-commerce and other delivery services are increasingly being automated, accelerating the need for automated guided vehicles (AGVs) and electric forklift trucks.



Industrial Actuators and Controls

The priority of Industrial Actuators and Controls (IAC) continues to be realizing better than Group average profitability and cash flow, enabling us to invest in selected sustainable growth opportunities. The broad, global transition towards cleaner forms of energy provides many opportunities for IAC products, including our inductive heating system for industrial processes, safety valves for nuclear power plants, and solenoids for high voltage circuit breakers and industrial locks. Consistent with Group strategy, IAC is investing in these opportunities.



Automotive

The automotive industry is going through a fundamental disruption driven by four mutually reinforcing trends: Autonomous driving, Connected vehicles, Electrification of the powertrain and Shared mobility, or 'ACES'. Kendrion expects that, on aggregate, ACES will increase the actuator content per car and drive above-average growth. Recent market research indicates that the market for electrified passenger cars is projected to grow by 40% on average per year over the next five years. We believe that we are well positioned to benefit from this trend.

Our innovative product platforms are specifically targeted at ACES. They include systems and components for active suspension, Acoustic Vehicle Alerting Systems (AVAS) for electric vehicles, and a turnkey sensor cleaning solution. The transition to electrified and smarter vehicles is accelerating. As a response, we have created a specific unit responsible for the development, marketing, and sales of ACES-related products: Automotive 'E'. This decision is in line with our strategy to focus on products that enable the transition towards cleaner forms of energy. Automotive E invests in innovative products relevant to ACES, close customer liaison and business development, program management and profitable growth.

Automotive 'Core' is responsible for Kendrion's Automotive business related to existing applications for combustion engine cars and commercial vehicles. Automotive Core focuses on operational excellence, lean production, cost efficiency, profitability and cashflow.



China

Over the past few years, Kendrion has significantly increased its revenue in China. The project pipeline indicates that growth will continue over the coming years, and the Chinese market offers significant opportunity for more sustainable growth. To accommodate this growth, we are building a new 28,000 m² production facility at the renowned Suzhou Industrial Park (SIP). It is close to completion and will allow us to more than double our production capacity and revenue. We expect that our Suzhou and Shanghai operations will be integrated in the new building in the first half of 2023.

Since the energy transition is a global phenomenon, the sustainable growth opportunities in China are like those in Europe and the US. In 2022, Kendrion China again added significantly to its project pipeline, despite lower-than-expected economic activity due to China's strict 'zero-COVID' policy. The plant's pipeline is expected to drive the continuation of above average growth over the coming years.



Financial targets

In 2022, demand for our products increased significantly in all Business Groups. At the same time, the difficult high inflationary economic environment continued, and we experienced significant volatility in demand and in our supply chains in all segments. The automotive passenger car market continued to be hit by semiconductor and other material shortages. Despite all this, 2022 revenue increased by 12% from EUR 464.0 million to EUR 519.3 million in 2022. Our 2022 normalized EBITDA² was EUR 57.4 million, 3% above 2021 (EUR 55.8 million). Return on investment^{1,2} came to 15.6% (2021: 15.6%).

Based on the opportunities we have identified, our project pipeline and our strong organic growth over 2021 and 2022, we are on our way to meet our four ambitious medium-term financial objectives for 2025 as outlined at our Capital Markets Day on 10 September 2020:

- Average organic growth of 5% between 2019 and 2025
- Return on investment of at least 25% by 2025¹
- EBITDA margin of at least 15% by 2025²
- Dividend pay-out: 35-50% of normalized net profit before amortization²



¹ Invested capital excluding intangibles arising from acquisitions.

² Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.



Products and potential in the energy transition

Kendrion focuses on sustainable growth, by developing intelligent actuators that help drive the global transition towards electrification and other forms of clean energy. Whether for wind power, autonomous vehicles, factory process efficiencies, or optimized industrial heating processes, our smart, compact, and connected actuators are helping our OEM customers to migrate to safe and clean forms of energy.

In 2022, we continued to invest in cutting-edge technologies that help advance the next generation of Autonomous, Connected, Electrified and Shared (ACES)

vehicles and the deployment of renewable energy sources. We also fine-tuned our product platforms, our organization, and our proposition in promising markets such as wind energy and nuclear power, so that we can increase our market share in these areas.

Our modular R&D approach gives us a great competitive advantage. We create customized products quickly and in high volumes – without recurring R&D investments – and can respond quickly to changing demands and product opportunities.

‘Braking’ into the Chinese Automotive market

The automotive global market for commercial vehicles is forecast to grow at a considerable rate, with Asia Pacific as the largest market. Our permanent magnet brake, combined with our overall expertise in the Automotive sector, puts us in an excellent position to capture the many opportunities. We have already begun working on a significant first application with an international brake system developer, for various vehicle manufacturers active in the Chinese market.

Double win

The project is a double win. On the one hand, it is helping us break into the Automotive sector with an industrial product. On the other, it is a great entry into the Chinese market: the fastest growing, and most extensive electric commercial vehicle market in the world.

Our permanent magnet brake will be part of an electric brake system for buses and trucks, acting as a holding brake. It is a mature product that is already proven in a range of industrial applications worldwide and required some minor modifications only.

What we will focus on in 2023

Thanks to smooth and fast collaboration between our German and Chinese teams we will deliver the first samples for road testing shortly and expect to begin start-of-production (SOP) by Q4 2023. The brakes will be manufactured in the new factory we are building in the prestigious Suzhou Industrial Park, which should be ready for production by Q2 2023.

Huge market potential

The Chinese market offers huge opportunity: there are approximately 4-5 million commercial electric vehicles in China, and CAGR is estimated at 5-10%. Each of those vehicles will have an electric brake system requiring four brakes, which offers enormous potential for our permanent magnet brake. With no current Chinese competitor, we could become market leader quickly, as our expertise in both the industrial and automotive sectors gives us a head start. For this project alone, we could potentially achieve an annual volume of up to 200,000 units – a major step towards a significant and profitable revenue stream.



Our permanent magnet brake will be part of an electric brake system, acting as a holding brake.

Sound evolution: our soundscaping innovations move forward

Supporting the change towards clean, electric mobility, with increased passenger comfort and safety, is a strategic focus for Kendrion. By reorganizing our Automotive Business Group in 2022, we are freeing up more resources to boost innovations in suspension, sensor cleaning and sound. Our new organization, 'Automotive E', will focus on opportunities within Autonomous, Connected, Electrified and Shared mobility (ACES).

This move puts us in an even better position to benefit from car manufacturers' desire to create a unique auditory experience for the ever-increasing number of electric vehicles (EVs). Our 'Phantone' platform delivers all they need to build an intelligent sound system that not only meets AVAS safety regulations but is also unique to their brand and offers an outstanding auditory experience.

What we did in 2022

In electric vehicles, fewer speakers and wires means less weight, fewer costs, and reduced fire hazard. In 2022, we developed a one-box sound solution for Fisker Inc, an American electric vehicle (EV) company

known for its iconic vehicle designs. The box is built on the 'Phantone' platform and combines a speaker and sound software in a very compact housing. It has been fully tested throughout 2022 and will be delivered in Q1 2023.

We also increased our engagement with start-ups who are designing incredible software-driven vehicles such as autonomous electric shuttles. In addition to the flexible 'Phantone' platform, our experience makes us a valuable partner for these companies which often have little knowledge of AVAS regulations and sound software.

Our focus for 2023 and beyond

As software-only solutions help reduce the risk of fire, we're looking into designing software-only solutions that can be hooked up directly to the car's infotainment system. Further ahead, we'll also explore more intelligent sound distribution; for example, emitting sound only where needed. We're excited about helping drive this 'soundscaping' trend and are confident we can create a powerful niche for ourselves.



Our sound designer creates a unique auditory experience for the ever-increasing number of electric vehicles.



Our INTORQ BFK470 spring-applied brake is designed to handle frost, heat, salt, sand, and extreme temperature conditions.

Beyond the ‘standard’ for wind turbine electromagnetic brakes

Ambitious zero-emission goals and energy security are causing the global wind energy industry to skyrocket. Globally, wind turbine installations are set to rise from 100 Giga Watt in 2020 to 400 Giga Watt in 2030*. As the only supplier in the market to offer electromagnetic brakes built on both spring-applied and permanent magnet technologies for wind turbine blades and nacelles, this market upsurge brings great opportunities for Kendrion.

Component standardization and localization

The global wind turbine industry is divided into four regions: Europe, India, China, and North America. The market is dominated by 10 to 15 global manufacturers who are currently all experiencing supply chain disruptions. Specifically, those who source and manufacture locally and abroad, are being impacted by rising energy prices and inflation.

In this challenging environment, there’s an urgent need for larger wind turbines with greater-surface blades, and more offshore applications. To overcome the supply and cost hurdles to build these, manufacturers

are increasingly turning to standardized, locally produced components that offer a long lifetime under tough conditions and demand little maintenance.

A powerful proposition

Kendrion has been active in the wind energy industry for years and is well-positioned to support manufacturers around the globe. Tens of thousands of our brakes are already installed in wind parks worldwide, and with factories in the EU, India, China, and the US, we can provide locally customized, high-quality brakes, with reliable production times. Our brakes have a 20-year lifespan; and can be adapted for extreme weather conditions and temperatures.

In 2022, we served more global customers, and we expect to continue this trend in 2023. Our INTORQ BFK470 spring-applied brake – designed to handle frost, heat, salt, sand, and extreme temperature conditions – perfectly meets the challenges of both onshore and offshore installations in this growing, stable, solid market.

* According to the Global Wind Power Council

Ready-to-use door locks meet needs of booming commercial market

Increased safety and security concerns are driving the booming commercial door lock market. Kendrion's own line of universal, compact, ready-to-use and competitively priced door locks puts us in an excellent position. With our latest addition – the shock resistant Compact Door Lock, we can also fill the void left by international players in the market for lockers.

Kendrion-owned products, available for mass production

Our commercial door lock line is the result of 15 years' experience with customer-specific products. As we own all the design patents, we can produce large quantities, for any application, at a very competitive price. Our complete, ready-to-use door locks help our customers saving time to source and then assemble the single components. All our locks are tested extensively and meet the relevant industry standards.

New shock-resistant Compact Door Lock fills a void in the compact lock market

Our new Compact Door Lock is ideal for applications such as parcel pick-up stations, lockers and vending machines for food and non-food items. Besides a

shock resistance up to 300 g in all axes, it also offers a lifetime of 100,000 switching cycles. The modular design enables customer-specific adjustments, while an optional Bluetooth or RFID receiver provides keyless (smart) entry.

Until recently, the market for smaller locks, especially for lockers, was dominated by a small number of international manufacturers. However, since the pandemic and geopolitical tensions, they have been struggling to deliver reliably and at competitive prices. With the new shock-resistant Compact Door Lock, we have a big opportunity to step into this void. We will introduce the lock at the Parcel+Post Expo 2023 in October in Amsterdam.



Besides a shock resistance up to 300 g in all axes, our new compact door lock offers a lifetime of 100,000 switching cycles.

Electromagnets for the growing nuclear energy sector

The world is embracing nuclear power as part of the sustainable energy transition. Currently, 60 new reactors are under construction worldwide, and many more are being upgraded. Safety valves – driven by our electromagnets – play a critical role in controlling the steam pressure in the plants. As demand for nuclear power has risen, so has the market for our electromagnets. We saw the impact clearly in 2022, as our sales in Europe increased, and we entered the promising US market.

What our customers need

Electromagnets are used to drive the safety valves, opening, and closing them as needed. Kendrion first began developing custom electromagnets for this sector in the 1980s.

Today, our valve manufacturer customers are under pressure to deliver valves that offer a guaranteed long lifetime and meet the strictest safety standards.

How we deliver

We work closely with the worldwide players in engineering for power plant technology and have proven to be a partner with the technical competence and flexibility to help them fulfill these requirements.

In fact, we are one of the few companies with detailed in-house expertise on this demanding application. Our lifting magnets perfectly match their specific applications, offer a guaranteed lifetime of up to 40 years, and are manufactured, tested, and documented according to RCC-E standards. The stringent RCC-E standards describe the rules for the design and construction of electrical equipment for pressurized water reactors.

A promising future

In 2022, we developed various bespoke magnet designs for customers across Europe, and in 2023, we expect our turnover for this product to increase by at least 50%.

In 2021, in the US market, we started working with IMI Critical USA on custom actuators for existing plants being upgraded. IMI presented us with a 'Critical Supplier' award for our outstanding quality and collaboration. Asia, on the other hand, is an emerging market for new power plant technology. Nuclear power is now also considered a clean and sustainable source of energy, and we're excited about the worldwide opportunities this brings us.

Safety valves – driven by our electromagnets – play a critical role in controlling the steam pressure in nuclear power plants.



	Shares entitled to dividend	Shares owned by Kendrion	Total number of issued shares
Movements in the number of outstanding shares			
At 1 January 2022	14,841,072	93,663	14,934,735
Issued shares (share dividend)	179,886	–	179,886
Granted shares (share plan)	5,347	(5,347)	–
At 31 December 2022	15,026,305	88,316	15,114,621

Other information

EUR, unless otherwise stated	2022	2021	2020
Number of shares x 1,000 at 31 December	15,115	14,935	14,934
Market capitalization at 31 December (EUR million)	234.3	314.4	247.9
Highest share price in the financial year	22.40	24.65	21.35
Lowest share price in the financial year	13.02	16.90	8.63
Share price on 31 December	15.50	21.05	16.60
Average daily ordinary share volume	7,022	14,129	24,203
Profit per share	(3.09)	0.97	0.29
Normalized net profit before amortization per share ¹	1.44	1.39	0.79

Major shareholders as at 31 December 2022²

	Interest in %	Date of report
Teslin Participaties Coöperatief U.A.	15.14	At 14 June 2019
Kempen Capital Management N.V.	10.07	At 26 May 2020
FIL Limited	6.29	At 8 April 2022
Invesco Limited	5.42	At 15 May 2020
Cross Options Beheer B.V.	5.37	At 8 May 2017
T. Rowe Price Group, Inc.	3.92	At 19 April 2022
Add Value Fund NV	3.22	At 13 July 2022
T. Rowe Price International Funds, Inc.	3.15	At 19 April 2022
Midlin N.V.	3.08	At 11 December 2020
Total	55.66	

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.

² On the basis of the information in the register of the AFM and listed on the website at www.afm.nl.

Share capital

The authorized share capital of Kendrion N.V. as at 31 December 2022 amounts to EUR 80,000,000 and is divided into 40,000,000 ordinary shares with a nominal value of EUR 2.00 each. At year-end 2022, the total number of ordinary shares issued was 15,114,621. There is one class of ordinary shares and no depositary receipts for shares have been issued. Kendrion's ordinary shares are listed on NYSE Euronext Amsterdam Small Cap Index (AScX).

Movements in the share price

from 3 January 2022 to 30 December 2022



Treasury shares

As at 31 December 2022, Kendrion N.V. holds 88,316 ordinary shares in its own capital, representing 0.6% of the total issued share capital. The ordinary shares held by Kendrion N.V. in its own capital are non-voting, do not have any dividend entitlement, and are held in treasury for payment of future stock dividends and share-based incentive plans. This means that as per year-end 2022, 15,026,305 ordinary shares hold voting rights and dividend entitlement.

Dividend policy

Kendrion endeavours to realize an attractive return for shareholders supported by a suitable dividend policy. In view of safeguarding a healthy financial position, consideration is also given to the amount of profit to be retained to support the company's medium and long-term strategic plans and to maintaining a solvency ratio of at least 35%. Kendrion strives to distribute dividends representing between 35% and 50% of its normalized net profit before amortization.

In principle, Kendrion offers shareholders an opportunity to opt for dividends in cash or in the form of ordinary shares in Kendrion N.V.'s capital.

Kendrion will propose a dividend of EUR 0.72 per share, representing a payment of dividend of 50% of normalized net profit before amortization for 2022 at the Annual General Meeting of Shareholders on 17 April 2023. The total amount of dividend is EUR 10.8 million. It will be proposed that payment of the dividend be made in cash, or at the option of shareholders, in the form of ordinary shares charged to the share premium reserve with any remaining fraction being settled in cash.

Major shareholders

Any person holding or acquiring an interest of 3% or more in a Dutch publicly listed company is bound, based on the Financial Supervision Act (*Wet op het Financieel Toezicht*), to disclose such a holding to the Dutch Authority for the Financial Markets (AFM). The disclosure is recorded in the register of the AFM and listed on the website at www.afm.nl/en.

Participation

Kendrion maintains a share-based incentive plan for its senior management and certain key employees.

Effective as of 2019, members of the Management Team are eligible for a grant of conditional performance shares and effective as of 2021 participation in the share-based incentive

On 8 September 2022, Kendrion held the Capital Markets Day for the analysts, investors, and shareholders communities.



program has been extended to members of Kendrion's senior leadership team. In 2022, 25,918 conditional performance shares were granted to the Management Team and the leadership team under the applicable long-term incentive plans. The conditional performance shares granted will vest upon achievement of performance measured over a three-year period. The actual number of shares that will be allocated upon expiry of the three-year vesting period is subject to the realization of predefined performance criteria. Under the 2020 (performance period 2020 through 2022) long-term incentive plan for the Management Team (i.e. performance period 2019

through 2021), 28,113 conditional performance were granted. Of the 28,113 conditional performance shares granted to the Management Team, a total of 25,160 shares have vested.

In 2022, conditional performance shares have been granted to the members of the Executive Board pursuant to the Executive Board long-term incentive plan. More information about (conditional performance) shares granted to the members of the Executive Board is set out on page 104. A comprehensive description of the long-term incentive plan is included in the 'Remuneration Report' section on pages 105-106.

Regulations to prevent insider trading

Kendrion has regulations covering securities transactions by members of the Executive Board, members of the Supervisory Board, members of the Management Team and other designated employees. The Insider Trading Code is published on the corporate website at www.kendrion.com.

The Insider Trading Code is intended to ensure the avoidance of insider trading or the appearance thereof, and any mixing of business and private interests.

Investor relations

Kendrion attaches great importance to appropriate communications with financial stakeholders such as investors, debt capital providers and analysts, providing them with good insights into recent developments. Transparency is intended to lead to healthy pricing, and to support liquidity.

Analysts

The following stock exchange analysts actively monitor the Kendrion share:

Berenberg	Axel Stasse
Degroof Petercam	Frank Claassen
ING Bank	Tijs Hollestelle
The Idea-Driven Equities Analyses Company	Maarten Verbeek
Edison Group	Johan van den Hooven
Kepler Cheuvreux	Tim Ehlers

Financial calendar

Tuesday, 28 February 2023	Publication annual results 2022
Wednesday, 8 March 2023	Record date General Meeting of Shareholders
Monday, 17 April 2023	General Meeting of Shareholders
Wednesday, 19 April 2023	Ex-dividend date
Thursday, 20 April 2023	Dividend record date
Friday, 21 April - Monday, 8 May 2023, 3pm	Dividend election period (stock and/or cash)
Tuesday, 9 May 2023	Determination stock dividend exchange ratio
Tuesday, 9 May 2023	Publication first quarter results 2023
Thursday, 11 May 2023	Cash dividend made payable and delivery stock dividend
Wednesday, 23 August 2023	Publication half-year results 2023
Tuesday, 7 November 2023	Publication third quarter results 2023

**J. H. Hemmen**

Position Chief Financial Officer

Year of birth 1973

Nationality Dutch

Joined Kendrion 1 June 2005

Appointment to position 1 July 2019 (EGM 7 June 2019)

J.A.J. van Beurden

Position Chief Executive Officer

Year of birth 1960

Nationality Dutch

Appointment to position 1 December 2015

Second term 1 December 2019 – 1 December 2023 (AGM 8 April 2019)

Member of the Supervisory Board and Chairman of the Nomination and Remuneration Committee of Adyen N.V.

Member of the Supervisory Board and Chairman of the Audit Committee of the University of Twente

INDUSTRIAL ACTUATORS AND CONTROLS

Customized solutions for industrial applications based on electromagnetic actuators, control technology and fluid technology.

INDUSTRIAL BRAKES

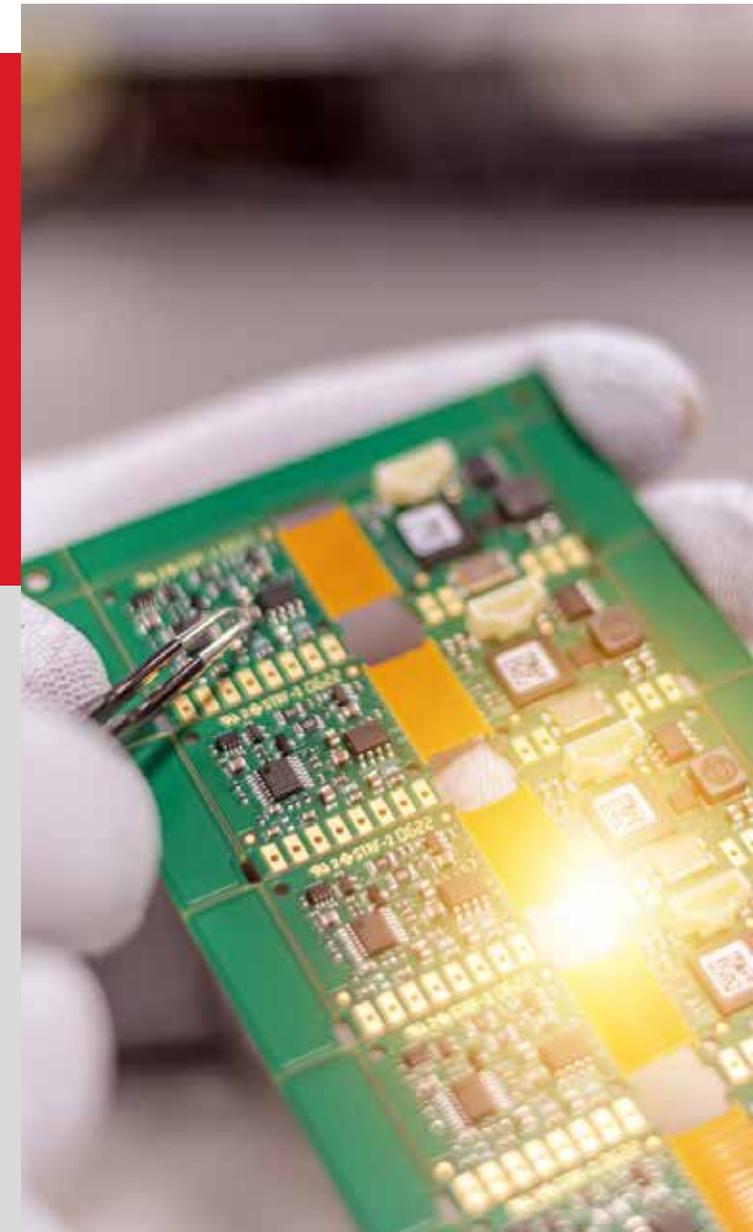
Full-line provider of electromagnetic brakes for electromotors in industrial end markets.

OUR PRODUCTS ARE USED IN

- Energy generation and distribution
- Food and beverage machinery
- Industrial automation
- Intralogistics
- Medical equipment
- Robotics
- Textile machinery
- Wind power

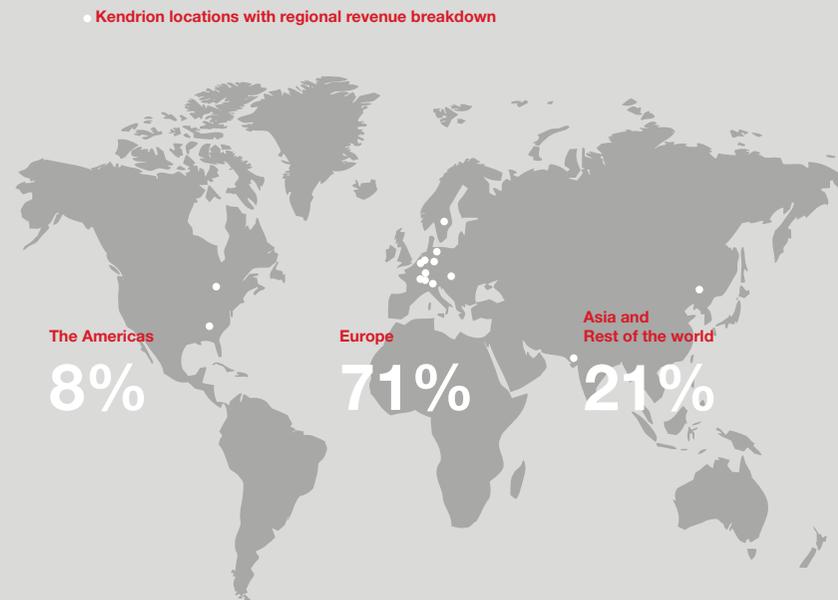
OUR CUSTOMERS INCLUDE

- ASML
- Collins Aerospace
- Eaton Corporation
- Euchner
- Fresenius
- Jiangxi Special Motors
- Lenze
- Oerlikon
- Schindler
- Siemens



TOTAL INDUSTRIAL REVENUE
(in EUR)

276.5 million
2021 231.5 million



Enabling the energy transition

Profile

Kendrion's industrial activities focus on developing and manufacturing electromagnetic brakes, actuators, and control units for a wide range of industrial applications, including wind turbines, robots, automated guided vehicles, energy distribution, medical equipment and inductive heating.

These activities are carried out in two Business Groups: Industrial Brakes (IB) and Industrial Actuators and Controls (IAC). IB specializes in the development and manufacture of electromagnetic brakes for electromotors used in various industrial end markets. IAC focuses on the development and production of customized electromagnetic actuator technology, gas and fluid control valves, and control technology.

Application expertise and engineering skills are our main differentiators; they enable us to design high-performance products of unparalleled quality. Our Industrial Business Groups have R&Dt centers and production facilities in Germany, Romania, China, the US and India. Products are marketed via their own sales organization with locations in Germany, Austria, Sweden, China, India and the US. A worldwide sales distribution network is dedicated to standard and application-specific components. Industrial employs 1,346 FTE of which 112 in R&D.

Market and market position

IB serves several global markets that we expect will offer above average opportunities for growth: industrial automation, robotics, wind power and intralogistics. The growth opportunities in these markets are driven by the industry-wide energy transformation, which has increased global demand for electromotors and for IB's wide range of braking solutions. Kendrion is one of the leaders in the global industrial brake market and the only industrial brake company with a leading position in both spring-applied and permanent magnet brake technology.

IAC serves many end markets including machine automation, energy distribution, medical equipment, access control and industrial appliances. Like IB, IAC is active in niches that offer significant growth opportunities driven by the global energy transformation, such as inductive heating of industrial processes, energy distribution, and valves for nuclear power plants.

Our Industrial Business Groups compete in a market with predominantly mid-sized companies with a regional focus. The main regional market for our Industrial activities continues to be Germany, with its advanced and globally leading mechanical engineering and automation industries, followed by China. Other key markets are the US, the Benelux, Switzerland, Austria, Italy, and Sweden.

Developments in 2022

Kendrion's Industrial activities generated a revenue of EUR 276.5 million in 2022 (2021: EUR 231.5 million).

Both Industrial groups recorded double digit growth numbers for the second consecutive year as they continued to benefit from beneficial trends towards renewable energy, electrification, and industrial automation. Despite continuing global supply chain shortages and sharply increasing prices for raw materials and energy throughout the year, the industrial groups were able to capitalize on the growth momentum and posted the strongest normalized EBITDA¹ on record with EUR 47.5 million and a normalized EBITDA margin¹ of 17.2% (FY 2021: 16.8%).

Throughout the year, IB was able to further add new revenue to its long-term revenue pipeline with existing and new customers in the areas of wind power, intralogistics, and robotics. Based on a study of IB's most important existing markets and several emerging markets, IB is confident that it will be able to continue to outperform global industrial production. Existing markets for IB include electromotors, wind power, robotics, and intralogistics, while fast growing emerging markets include collaborative robots and automated guided vehicles. To accommodate existing and anticipated future growth IB has invested in both human and capital resources. Besides adding 31 direct FTE to increase daily production of brakes, IB added 25 indirect FTE predominantly in sales and R&D. In addition, IB started to implement a capital investment project to significantly increase production capacity for the permanent magnet production lines in Villingen, Germany, and continued to invest in the further localization of production capabilities of both spring applied and permanent magnet brakes in China.

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.

A newly implemented CRM tool and a new state-of-the-art product lifecycle software application will further help IB's sales and R&D organizations to fully capitalize on the high number of growth opportunities for its core technology.

During 2022, IAC completed the integration of 3T into its existing control technology activities. 3T contributed positively in 2022 and besides posting revenue of EUR 12.2 million and strong profitability, it won several new customer contracts, contributed to the software and electronic capabilities of IAC, and supported Automotive by hiring 6 highly skilled Automotive-dedicated software and electronics developers. In addition to completing the integration of 3T, IAC continued to benefit from its strategy to target selective niche markets that offer above-average profitability and growth. IAC won several new projects for its locking and inductive heating technologies for industrial equipment, solenoids and control technology for intralogistics and highly specialized flow control valves for the medical industry. In some end markets where IAC offers products that support the global energy transition, the business group benefited from a continued strong momentum for existing technologies including safety switches for energy distribution and safety valves for nuclear power plants.

Both Industrial groups recorded double digit growth numbers for the second consecutive year as they continued to benefit from beneficial trends towards renewable energy, electrification, and industrial automation.

Innovative solutions for passenger cars and commercial vehicles focused on advanced valve technology, smart actuation and control technology to enable the transformation to Autonomous, Connected, Electric and Shared (ACES) mobility.

OUR PRODUCTS ARE USED IN

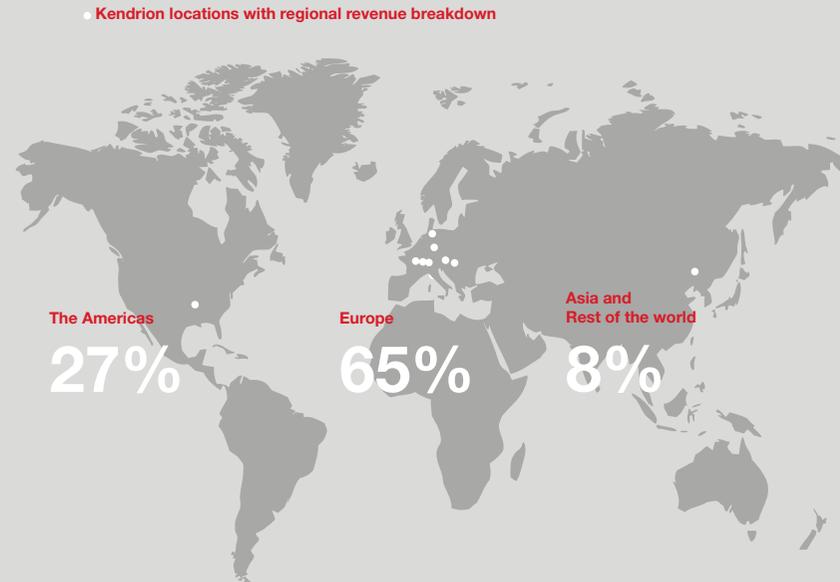
- Active suspension systems
- Fuel systems
- Mobile hydraulics
- Acoustic vehicle alerting systems
- Thermal management
- Sensor cleaning systems
- Transmission systems

OUR CUSTOMERS INCLUDE

- Continental
- Daimler Group
- Danfoss
- FCA
- Ford
- Great Wall Motors
- Hyundai Kia
- KYB
- Marelli
- ThyssenKrupp Bilstein
- Volkswagen Group
- ZF Friedrichshafen

TOTAL AUTOMOTIVE REVENUE
(in EUR)

242.8 million
2021 232.5 million





Accelerated transformation

Profile

The Kendrion Automotive Group (KAG) develops, manufactures, and markets innovative, high-quality electromagnetic actuators and control units for customers in the automotive industry worldwide. Customers include major OEMs and Tier 1 suppliers in the global markets for passenger cars, commercial vehicles, and off-highway vehicles.

KAG focuses on advanced valve technology, smart actuation, and control technology specifically designed to enable the transformation towards Autonomous, Connected, Electric and Shared mobility, or “ACES”. Applications enabling this transformation include sound systems (AVAS), active suspension valves, and sensor cleaning valve blocks. These currently make up approximately one third of the KAG revenue and Kendrion expects this percentage to grow significantly over the next few years. Other KAG applications include transmission systems and fuel systems for passenger cars, hydraulic solenoids for agricultural equipment, and thermal management systems for commercial vehicles.

KAG has a global presence with R&D centers and manufacturing facilities in Germany, Rumania, Czech Republic, the US, and China. Products are developed and designed to meet customers’ specific needs, placing great emphasis on performance, quality, and reliability. KAG employs 1,407 FTE of which 137 FTE in R&D.

Market and market position

The accelerating electrification in automotive, and the rise of electric and autonomous vehicles, are expected to significantly transform the overall automotive market. The pace at which internal combustion engine cars are being replaced by battery electric vehicles around the globe is outpacing most analyst projections. Several countries and car manufacturers have announced to phase out internal combustion engine cars completely by 2035. Based on market analyst studies, the market for battery electric vehicles is expected to grow at an average annual rate of 40% per year between 2018 and 2027. The market for Kendrion’s sound system (AVAS) platform will grow as legislation across the globe requires electric cars to emit a sound below a certain speed. The market for high-end suspension systems is expected to continue its fast-paced growth as more heavy electric vehicles are being equipped with active and air suspension systems. In a few years, also sensor cleaning applications are expected to become more common as cars will become increasingly more autonomous and dependent on sensors.

KAG competes in a market with several mid-sized competitors, mainly based in Germany. Europe continues to be Kendrion’s largest automotive market, with most revenue generated with large German car manufacturers and Tier 1 automotive suppliers. Kendrion’s market position in China has improved further thanks to Kendrion China winning several new projects with both local and global brands over the last few years.

Developments in 2022

KAG's revenue came in at EUR 242.8 million (2021: EUR 232.5 million). Although Automotive revenue is gradually recovering from the historically low level in the first COVID-19-year 2020, the volumes of cars produced are still significantly below the pre-pandemic 2018 and 2019 levels. The number of cars produced globally in 2022 is estimated at 82 million, compared with 89 million in 2019. In Europe, Kendrion's largest market, 15.7 million cars were produced in 2022 compared with 21 million in 2019. Underlying reasons for the low production levels were the continuing supply chain shortages and the disruption caused by Russia's invasion of Ukraine. While car manufacturers have been able to sustain profitability levels by focusing on production of cars that generate the highest margins, component and system suppliers worldwide have been confronted with shrinking volumes. Sharply increasing prices for energy, wages and raw materials and high order volatility have put further pressure on automotive component suppliers' results. At the same time, the industry requires significant investments in the development of new

technologies for electric, connected and autonomous driving cars. To address the challenges posed by the automotive industry, Kendrion has split the Automotive Business Group into two distinct organizations: Automotive 'Core' and Automotive 'E'. While Automotive Core focuses on extracting the highest value from existing technologies for combustion engine cars and commercial vehicles, Automotive E focuses on the development and marketing of new product technologies that enable future mobility. The current pillars of the Automotive E portfolio are acoustic vehicle alerting systems, valves and electronic control units for suspension systems and valves and control units for sensor cleaning. In 2021, the Automotive E portfolio represented 26% of total Automotive Group revenue, but this percentage is expected to increase rapidly in the coming years.

The split involved a structural redesign, reallocation of resources, the creation of separate financials and the development of distinct key performance indicators. Core and E became fully operational at the end of 2022. As part of the reorganization, KAG was able to further streamline its costs,

saving EUR 4 million per year starting Q1 2023. KAG also finalized the closure of its manufacturing facility in Austria, with the final production lines relocated to Rumania and Germany in the summer of 2022. The footprint optimization has led to EUR 4 million annual savings starting in Q4 2022.

KAG added a further EUR 305 million (2021: EUR 305 million) in lifetime revenue to its long-term order book, indicating a positive book-to-bill of 1,26 times 2022 revenue. More than EUR 200 million project wins relate to Automotive E (2021: EUR 180 million) products, with the remainder existing mainly of product lifetime extensions in Automotive Core. New business nominations were won in all three Automotive E technology segments, with the majority in suspension applications. Another year with a significant positive book-to-bill in Automotive E has increased our confidence that, despite the challenges in the automotive industry, the technology platforms that Automotive has invested in in recent years have the capacity to put the Automotive Group back on a trajectory of sustainable and profitable growth.

To address the challenges posed by the automotive industry, Kendrion has split the Automotive Business Group into two distinct organizations: Automotive 'Core' and Automotive 'E'.

New factory in China: investing in our future success



Telly Kuo
President Kendrion Asia

With the opening of our new state-of-the-art factory in China, we are further strengthening our growth strategy. The 28.000 m² facility will be the biggest yet in the Kendrion Group, allowing us to serve our Chinese customers better, faster, and at more competitive prices, while increasing our foothold and share in the market. The factory is expected to meet growth demands until at least 2027, and longer if we include phase 2.

A vast market with many opportunities

The Chinese market offers us substantial potential. Since its founding in 2005, Kendrion China has grown exponentially. Kendrion China's share of group revenue has increased from less than 4% in 2015 to 10% in 2022 with revenue of around EUR 50 million. Our confidence in our ability to continue this growth is reflected in our ambitious target for 2025: to double this revenue to EUR 100 million.

In industrial, we expect to double our current turnover. For the next five years, we particularly see room for growth in wind power, elevator and escalator, robotics, forklift, electrical motor, crane, hoist and AGV applications. To better meet the needs of local Chinese customers, the factory will focus on expanding its R&D capabilities in industrial brakes and industrial actuators and controls.

In automotive, the global market for commercial vehicles is forecast to grow at a considerable rate, with Asia Pacific as the largest market. With our new Automotive 'E' organization, we can dedicate more resources to game-changing automotive technologies – including sound design, sensor cleaning and active damping.

We also see great opportunities for cross-selling. We're already working with an international brake system manufacturer to use an industrial product – the permanent magnet brake – in commercial vehicles destined for the Chinese market.

Smart factory meets local needs

With the brand-new smart factory we can increase local manufacturing, which delivers greater supply chain security as well as lower costs for raw materials, labor, and production.

The factory will boast a capacity 10 times that of our first Suzhou factory, but it will also deliver cost efficiencies. By bringing the two current plants together in one location, we realize savings by centralizing product lines, automation costs and functions.

The 28.000 m² facility will be the biggest yet in the Kendrion Group, allowing us to serve our Chinese customers better, faster, and at more competitive prices.

The location – Suzhou Industrial Park (SIP) – is a strategic choice. SIP is one of China's most popular investment locations, placing us amongst the other advanced, foreign manufacturing companies in the automotive and industrial sectors, including several Fortune 500 companies.

A two-phased approach

We are building the factory in two phases. Phase I includes the construction of the offices, warehouses and a first production area, totaling 28,000 m². This part of the factory should be up and running by Q2 2023.

If the growth we anticipate is realized, we will move on to Phase II in 2025, which will make another 12,500 m² ready by 2026. The increased production and turnover of the new factory will support our business growth up to 2030, and there is further room for expansion within a 10km radius. All Kendrion automotive and industrial products will be manufactured in the new plant, which will be 'home' to some 300 employees.

Smart and sustainable

The new state-of-the-art factory will be fitted with the most advanced technologies, including artificial intelligence, robotics, and smart warehouse logistics. To give some examples: 70% of the warehouse will be a fully automated, 22-meter-high area, and solar panels on the roofs will provide 550 Kwh energy. In addition, we will recycle water for the industrial brake washers, and inspire employees to use electric cars by providing EV charging stations. Other sustainable initiatives are being explored.

Powerful differentiators

Competing in the Chinese market is a challenge for EU- and US-based companies, which generally export products engineered at higher labor and production costs in their home countries. The new factory allows us to design, customize and manufacture our products locally and at local cost, yet with German-quality engineering. As we extend our reach into China and ramp up production, we will expand our R&D department and start designing products specifically for the Chinese market.

The new state-of-the-art factory will be fitted with the most advanced technologies, including artificial intelligence, robotics, and smart warehouse logistics.

Key figures

EUR million	2022			2021		
	Reported	Adjustments	Normalized	Reported	Adjustments	Normalized
Revenue	519.3	–	519.3	464.0	0.4	463.6
Other income	0.5	0.5	0.0	0.2	–	0.2
Total revenue and other income	519.8	0.5	519.3	464.2	0.4	463.8
Changes in inventories of finished goods and work in progress	1.8	–	1.8	(3.5)	–	(3.5)
Raw materials and subcontracted work	268.7	–	268.7	241.9	0.4	241.5
Staff costs	153.6	5.3	148.3	138.1	1.4	136.7
Other operating expenses	102.3	59.2	43.1	36.0	2.7	33.3
EBITDA¹	(6.6)	(64.0)	57.4	51.7	(4.1)	55.8
Depreciation and amortization	28.0	–	28.0	27.8	–	27.8
Finance income and expense and share loss of an associate	5.1	0.7	4.4	3.8	(0.0)	3.8
Income tax expense	6.6	(0.2)	6.8	5.7	(0.8)	6.5
Profit for the period	(46.3)	(64.5)	18.2	14.4	(3.3)	17.7
Amortization after tax	3.5	–	3.5	2.9	–	2.9
Profit for the period before amortization¹	(42.8)	(64.5)	21.7	17.3	(3.3)	20.6
Cash flows						
Cash flow from operations	37.9	3.0	40.9	27.8	4.6	32.4
Cash flow from investing activities	(37.9)	0.1	(37.8)	(48.8)	19.9	(28.9)
Free cash flow¹	0.0	3.1	3.1	(21.0)	24.5	3.5

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.

Group performance

Kendrion realized EUR 519.3 million revenue in 2022, an increase of EUR 55.3 million or 12% compared to the previous year. The full year revenue contribution of 3T, acquired in September 2021, added 2% to group revenue compared to 2021. Currency translation increased revenue by 2%, predominantly caused by the stronger average USD and CNY.

Overall, an organic growth of 8% was realized in 2022. Higher average sales prices to offset the inflationary pressure on materials, energy and transport costs had a positive effect on group revenue (+5%). Despite challenging market circumstances with soaring inflation, supply chain shortages and Covid lockdowns in China, our Industrial activities continued their strong performance. Industrial revenue came in at EUR 276.5 million, an increase of 19%. Excluding currency

translation and the contribution of 3T, Industrial revenue increased by 14%. Our Automotive activities continue to be affected by low global and more specifically, low European car production. Automotive revenue increased by 4% to EUR 242.8 million, of which 2% was caused by currency translation.

Profit for the period ended at a loss of EUR 46.3 million (FY 2021: EUR 14.4 million profit) and was significantly affected by a EUR 58.5 million impairment of goodwill and other acquisition related intangibles and tax assets in the newly established business unit Automotive Core. The impairment is the result of the fundamental shift in the automotive industry which is expected to phase out the combustion engine in the next 10 to 15 years. This phase out will impact future revenues of Automotive Core, which focuses on the production and marketing of existing technologies for combustion engine vehicles.

For a meaningful analysis of the underlying financial performance of the group, Kendrion presents certain performance measures on a normalized basis. The normalized performance measures exclude costs and benefits that are generated outside the ordinary course of business and include restructuring charges, asset impairments and other items of an incidental nature. Definitions and a detailed reconciliation of these alternative performance measures to the closest applicable IFRS performance measures can be found on pages 210-212 of this annual integrated report. Normalized EBITDA¹ in 2022 came in at EUR 57.4 million compared with EUR 55.8 million in the previous year. Normalized EBITDA as a percentage of revenue ended at 11.1% (2021: 12.0%). The higher sales prices to offset the cost inflation decreased normalized EBITDA as a percentage of revenue by 55 basis points. Costs for raw materials and subcontracted work increased by EUR 27.2 million, or 11%, in line with the increased group revenue. Changes in inventory of finished goods and work in progress increased by EUR 5.3 million as the group sold off a higher portion of its inventories towards

the end of 2022. Total staff and other operating expenses, excluding costs that are normalized from the results, increased by EUR 21.4 million, or 13%. The full year effect of 3T increased staff and other operating expenses by 4% (EUR 8.2 million) and currency translation increased costs by 2%. Normalized interest charges¹ increased by EUR 0.7 million to EUR 4.3 million because of higher average loans and borrowings and increasing market interest rates¹. The normalized effective tax rate ended at 27.4% (2021: 26.8%) and was largely a reflection of the average tax rates in the jurisdictions Kendrion operates in. Normalized profit before amortization¹ ended at EUR 21.7 million, (2021: EUR 20.6 million). In 2022 the group incurred in total EUR 64.7 million costs and benefits that were generated outside the normal course of business. The after tax amount was EUR 64.5 million. In addition to the EUR 57.3 million impairment of goodwill and other intangibles and EUR 1.2 million write down of tax assets related to Automotive Core, the costs mainly related to restructuring and reorganization costs in the Automotive Group and China.

Net cash flows from operating activities increased by EUR 10.1 million to EUR 37.9 million, mainly as a result from a better performance on receivables and inventory. Cash flows from investing activities came in at negative EUR 37.9 million compared to negative EUR 48.8 million in the previous year. The largest investment – EUR 15 million – related to the construction of the new manufacturing facility at China's Suzhou Industrial Park. Other investments mainly related to new production lines in the Industrial and Automotive activities. Investments in 2021 included EUR 19.9 million related to the acquisition of 3T and the sale of associate Newton CFV. Cash flows in 2022 included EUR 3.1 million cash items related

to costs that have been normalized from the results, mainly for restructurings in the Automotive activities. Overall normalized free cash flow¹ ended at EUR 3.1 million (2021: EUR 3.5 million).

Total net debt¹ ended at EUR 140.3 million, an increase of EUR 9.7 million compared to 31 December 2021. Free cash flow was more than offset by EUR 3.3 million payments of lease liabilities and EUR 7.1 million dividends paid. Total invested capital per 31 December 2022 ended at EUR 213.3 million (31 December 2021: EUR 196.7 million) when excluding goodwill and other intangibles arising on acquisitions. Invested capital was EUR 217.8 million when excluding items that have been normalized. The construction of the new facility in China was the largest contributor to the increased invested capital. Return on invested capital¹ ended at 15.6% (2021: 15.6%).

Liquidity position

Kendrion's liquidity position exists of freely available cash balances and undrawn facilities. Cash balances on 31 December 2022 amounted to EUR 37.8 million (2021: EUR 18.6 million). In addition, Kendrion had EUR 20.4 million (2021: EUR 39.8 million) available under undrawn credit facilities. Kendrion's main credit facility is a EUR 102.5 million facility agreement with HSBC Bank and ING Bank. The facility agreement runs until 26 April 2025 and includes two one-year extension options. Certain covenants apply including a maximum leverage ratio of 3.25, with a possible temporary spike up to 3.75 under certain conditions. Kendrion's leverage ratio¹ based on the definitions in the facility agreement as per 31 December 2022 was 2.4 (31 December 2021: 2.3).

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.

Research & Development

EUR 32.4 million (2021: EUR 32.6 million) costs for R&D are included in the operating expenses, of which EUR 21.6 million (2021: EUR 20.9 million) staff costs. An amount of EUR 3.0 million in R&D expenses (2021: EUR 1.1 million) has been capitalized as R&D on the balance sheet. Costs for R&D as a percentage of revenue came to 6.2% (2021: 7.0%). 3T's R&D costs are excluded as these relate to services directly generating external revenue. Kendrion Group employed 249 FTE R&D employees. R&D activities primarily focused on modifying existing electromagnetic brake technology for growth markets such as AGVs and surgical robots, developing safety control units for collaborative robots and AGVs, inductive heating technology for industrial processes, the AVAS sound platform and customer specific applications, a suspension valve platform, customer-specific applications for active and air suspension and a platform for sensor cleaning technology.

Developments per segment

The Industrial activities generated EUR 276.5 million (2021: EUR 231.5 million) of revenue in 2022, representing 53% of group revenue. The organic revenue increase, excluding currency translation and the effect of the acquisition of 3T, was 14%. The average increase in sales prices to offset inflationary pressure on costs added 5% to the Industrial revenue. Profit before finance expenses was EUR 40.5 million (2021: EUR 30.7 million). Normalized EBITDA¹ increased by 22% to EUR 47.5 million (2021: EUR 39.0 million). Normalized EBITDA as a percentage of revenue increased by 40 basis points to 17.2%. Normalized EBITDA in the Industrial groups excludes a total amount of EUR 0.6 million in costs and benefits (2021: EUR 1.6 million) that are that are generated outside the ordinary

course of business of the Industrial activities. These costs include restructuring, and impairment charges related to the planned relocation of existing facilities to the new manufacturing facility at Suzhou Industrial Park. The benefit relates to a book profit on the sale of an office and warehouse building of the former Industrial Brake sales office in the UK.

Both Industrial business groups benefited from strong momentum in the demand for solutions contributing to the electrification and automation of industrial processes. Revenue in Industrial Brakes increased by 19% to EUR 151.2 million (2021: EUR 127.5 million). When excluding currency translation effects, organic revenue growth in IB was 16%. Revenue in Industrial Actuators and Controls increased by 21% to EUR 125.3 million (2021: EUR 104.0 million). Revenue growth excluding 3T and currency translation in IAC was 11%.

The Kendrion Automotive Group (KAG) realized 4% revenue growth, resulting in its revenue increasing to EUR 242.8 million (2021: EUR 232.5 million) and accounting for 47% of group revenue. Currency translation caused 2% revenue growth, and the effect of increased average sales prices to offset inflationary pressure on costs was 5%. During 2022 the automotive industry continued to face supply chain constraints which affected European car production specifically. Analysts estimate that 15.7 million cars have been produced in Europe, compared to 15.9 million in 2021 and still far away from the pre-pandemic level of 21.2 million in 2019. Profit before finance costs ended at EUR -75.1 million (2021: EUR -6.8 million). The Automotive Group realized normalized EBITDA¹ of EUR 9.9 million (2021: EUR 16.8 million). Normalized EBITDA as a percentage of revenue dropped to 4.1% (2021: 7.2%). Normalized EBITDA in the Automotive Group excludes EUR 63.4 million costs that are generated outside the ordinary course of business and mainly relate to the impairment of

goodwill and other intangibles in Automotive Core and restructuring charges in the Automotive Group in 2022.

As announced during the capital markets day in September, the Automotive Group has been split into two separate units – Automotive Core and Automotive E – with Core focusing on the production of existing technologies for combustion engine vehicles and E focusing on the development of new technologies for electric and autonomous vehicles. The split became effective at the end of 2022. On a pro forma basis the revenue of Automotive Core came in at EUR 179.5 million (2021: EUR 175.7 million) in 2022 while Automotive E achieved a revenue of EUR 63.3 million (2021: EUR 56.8 million). Pro forma Automotive E revenue in 2022 included EUR 2.1 million (2021: EUR 3.8 million) direct revenue from engineering activities.

Management statement

In accordance with article 5:25c of the Financial Supervision Act (*Wet op het Financieel Toezicht*), the Executive Board confirms, to the best of its knowledge, that: (i) the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit and loss of Kendrion N.V. and its consolidated companies; (ii) the Annual Integrated Report gives a true and fair view of the position as at 31 December 2022 and the developments during the financial year of Kendrion N.V. and its group of companies included in the consolidated financial statements; and (iii) the Annual Integrated Report describes the main risks Kendrion is facing.

The members of the Executive Board have signed the consolidated financial statements to comply with its statutory obligation pursuant to article 2:101, paragraph 2 of the Dutch Civil Code and article 5:25c of the Financial Supervision Act.

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.

Sustainable contributions

Climate change is one of the greatest challenges of our time and is transforming our society at increasing speed. We are taking action to help reduce the negative impact of climate change. We are minimizing our environmental impact and are addressing other sustainability and social issues. By increasing energy efficiency and using renewable energy, reducing emissions, developing sustainable products, and providing healthy, safe, and high-quality workplaces, we show our commitment to making a meaningful contribution to a sustainable future. Developing and executing a sustainability strategy with ambitious goals takes commitment, time, and money. The extent to which meaningful contributions can be made is subject to an unequivocal approach throughout the supply chain of the industry in which we operate. We feel supported by our customers, suppliers, and other business relations who have inspired and pushed the sustainability transformation, and we are committed to accelerating and scaling up our and our supply chain partners' efforts.

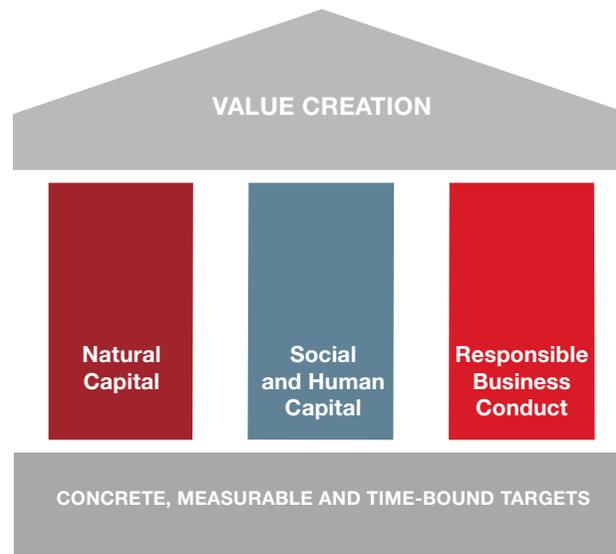
Introduction

Sustainability is a core value of Kendrion and we are committed to minimizing our environmental impact and promoting social well-being. Our sustainable growth strategy is directed at further adapting our product portfolio to the accelerating electrification and renewable energy trends.

We are dedicated to reducing the impact of our operations by increasing energy efficiency and use of renewable energy for our manufacturing processes and facilities. We have reduced the relative CO₂ emissions from energy from our production facilities by 60% compared with 2015 and are finding ways to further replace fossil fuels with renewable energy sources. Our new 28,000 m² manufacturing facility at the renowned

Suzhou Industrial Park (SIP) in China – which is expected to be ready in 2023 – will be outfitted with solar panels. With these solar panels, we expect to generate approximately 550,000 kWh of solar energy per year. We preserve a high-quality, safe, and inclusive work environment for our employees. We maintain transparency in our supply chain, and our suppliers and other business partners must commit to our environmental and social standards. We will also continue to engage with our stakeholders to gain a better understanding of their reasonable expectations in relation to the environment in which we operate, including market developments and cultural dynamics.

Kendrion's global sustainability program forms an integral part of our strategic plan and our short- and longer-term objectives. Our ambition to continuously improve our sustainability performance required cultural and organizational changes. Our sustainability ambitions are appropriately aligned with our organizational set-up where decision makers are empowered and held accountable for prioritizing and fundamentally enhancing our sustainability performance. Sustainability objectives are cascaded to our Business Groups and made an explicit component of Kendrion's performance-based remuneration schemes. Personal targets set for senior management include sustainability criteria. The short-term and long-term variable remuneration of the Executive Board also include sustainability performance criteria (e.g., energy efficiency and reduction of CO₂ emissions) and social performance criteria (e.g., diversity, company culture, leadership development). Reference is made to the Remuneration Report on pages 95-96 for detailed information on the application of the Remuneration Policy for the Executive Board and the actual performance in 2022 against the predefined performance criteria.



With the society's increasing sustainability demands and the resulting legislative initiatives, we are encouraged to further sharpen and strengthen our sustainability ambitions and strategy. We made good progress on the development of our third 5-year sustainability strategy for the period 2024-2028. We are dedicated to accelerating our sustainability ambitions with our 2024-2028 sustainability program which we expect to announce in 2024.

Stakeholder dialogue

Our business operations and products have an impact on the environment. The actions and expectations of our stakeholders influence the way in which we develop, implement, and execute our strategy to realize long-term value. We engage in an open and ongoing dialogue with our stakeholders about sustainability themes to deepen our insights into their needs and expectations. This regular engagement helps us continuously improve and innovate our global sustainability program, not only in design but also in management and execution. In engaging with our stakeholders, we aim to build trust, identify

trends, and address critical issues, including the implications of climate change for our business operations and products as well as the impact of our operations on the environment and society. The dialogue with our stakeholders helps us assess our environmental risk profile and establish what mitigation plans are required or expected from Kendrion to make a meaningful contribution to a sustainable future. Moreover, by engaging in a dialogue, we provide transparency in our plans and actions to reduce the negative impact of climate change and to address other related challenges and social issues. When developing strategies and mitigation plans, we always consider input provided by our stakeholders.

Our key stakeholder groups include customers, suppliers, employees, shareholders, local communities, technical universities and institutions of higher technical education. For each group, Kendrion's stakeholder engagement varies and includes formal and informal channels that are being used with varying degrees of regularity. Our key stakeholder groups are described on pages 59-60 of this Annual Integrated Report. Key themes addressed during our stakeholder dialogues in 2022 included:

- **Environmental impact and climate change:** decarbonization and energy efficiency, and renewables and waste management;
- **Supply chain management:** raw material sourcing and environmental and social standards in the supply chain;
- **Sustainable production and product portfolio** contributing to climate mitigation and adaptation objectives;
- **Social impact:** labor practices, community engagement and human rights;
- **Governance:** executive remuneration and risk management.

While our stakeholder dialogue is part of regular engagement and communications with our customers, suppliers, shareholders, and employees, we also run a structured in-depth stakeholder engagement process at regular intervals. The most recent in-depth stakeholder engagement process was carried out in 2020. The stakeholder engagement process included a structured sustainability survey among internal and external stakeholders and separate sustainability sessions with certain stakeholder groups. In addition to the regular and ongoing dialogues, we anticipate performing a structured



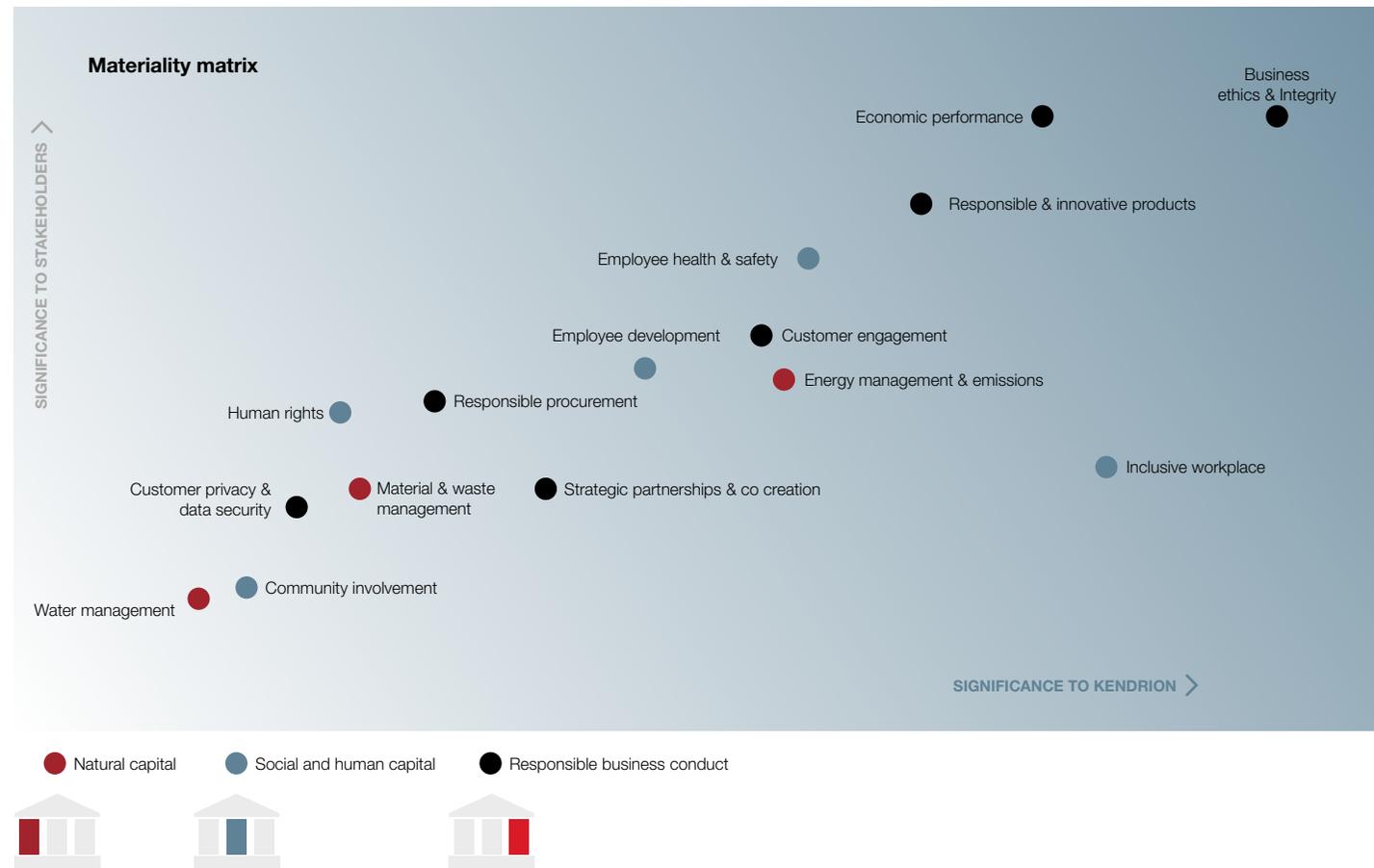
stakeholder engagement process consistent with our established formats in 2023, with a view to meeting stakeholders' reasonable needs to discuss topical themes relevant to various aspects of sustainability. The outcome of the stakeholder engagement process we intend to carry out in 2023 will be used for the finalization of Kendrion's third 5-year sustainability program that we expect to launch in 2024.

Materiality analysis and materiality matrix

For a focused strategic approach, aimed at a healthy balance between stakeholder expectations and business aspirations, we identify and assess the material topics that are most relevant to Kendrion's activities. To this end, Kendrion uses a materiality analysis to gain insight into the relevance and importance of topics for both Kendrion and our stakeholder groups. Although material topics may remain the same over time, their relevance for internal and external stakeholders may vary and is subject to change.

Kendrion commissioned the performance of a materiality assessment in 2020. Together with a specialized consultancy firm, we developed a tailored approach to assess materiality and the results of internal and external stakeholder consultation.

The 2020 materiality assessment did not reveal significant movements in the ranking of individual themes compared to the assessment of 2018. The outcome of the 2018 and 2020 assessments is a refined number of material themes structured in a materiality matrix around Kendrion's three pillars of value creation that form the basis of the global sustainability program: Natural Capital, Social and Human Capital and Responsible Business Conduct.



The above materiality matrix shows an enhanced classification and organization of material themes with a view to maintaining continued focus on those themes where Kendrion can have the most impact.

Kendrion's materiality matrix shows the material topics along two axes: significance to stakeholders and significance to Kendrion.

The outcome of the 2018 and 2020 materiality analyses formed important input for Kendrion's sustainability program and the 2019-2023 target framework as well as the further development and execution thereof. We will prepare a new materiality assessment in support of the development of a sustainability target framework for Kendrion's third 5-year sustainability plan for the period 2024-2028, which we intend to launch in 2024.

While this Annual Integrated Report generally covers topics in the above materiality matrix, under Kendrion's second 5-year sustainability plan covering 2019-2023, Kendrion has not set measurable sustainability targets for each material topic.

Kendrion reports against the 2019-2023 target framework and related commitments.

Kendrion reports only on the most relevant material topics. The most relevant material topics are economic performance, anti-corruption, energy efficiency, carbon emissions, occupational health and safety, training and education, non-discrimination, and equal opportunities. Kendrion reports according to the GRI reference claims, which are described on pages 213-214 in the section 'About the Sustainability Report'.

2019-2023 TARGET FRAMEWORK

 <p>Natural Capital</p>	<p>15% Relative reduction of energy consumption</p> 	<p>15% Relative reduction of CO₂ emission</p> 	<p>Implementation of the waste management hierarchy in global waste management practices</p>
 <p>Social and Human Capital</p>	<p>Recurring annual improvement of health & safety figures number of accidents per 1,000 FTE, lost time injury rate per 1,000 FTE, group-wide illness rate</p>	<p>The establishment of a Global Diversity Committee, responsible for advancing diversity</p> <p>The implementation of a global company culture campaign</p>	<p>Rewarding 10 community investment initiatives per year through Together@Kendrion</p>
 <p>Responsible Business Conduct</p>	<p>Maintain a responsible product portfolio Products that Keep you Safe, Products that Reduce Climate Impact and Products that Improve Health</p>	<p>Sustainable sourcing Sourcing only from approved suppliers and conducting at least 25 implementation audits annually</p>	<p>Continuous improvement and strengthening of the Global Legal Compliance and Governance Framework to secure responsible business conduct</p>

Please refer to the section 'About the sustainability report' on pages 213-214 of this Annual Integrated Report for reporting periods, definitions, scope and limited assurance review.



The Natural Capital pillar focuses on reducing the negative impacts of climate change by increasing energy efficiency and use of renewable energy, reducing CO₂ emissions, and strengthening waste management practices.

Energy efficiency, renewable energy and CO₂ emissions

Sustainability objective 2019-2023 target framework:
15% relative reduction of energy consumption and CO₂ emissions by the end of 2023

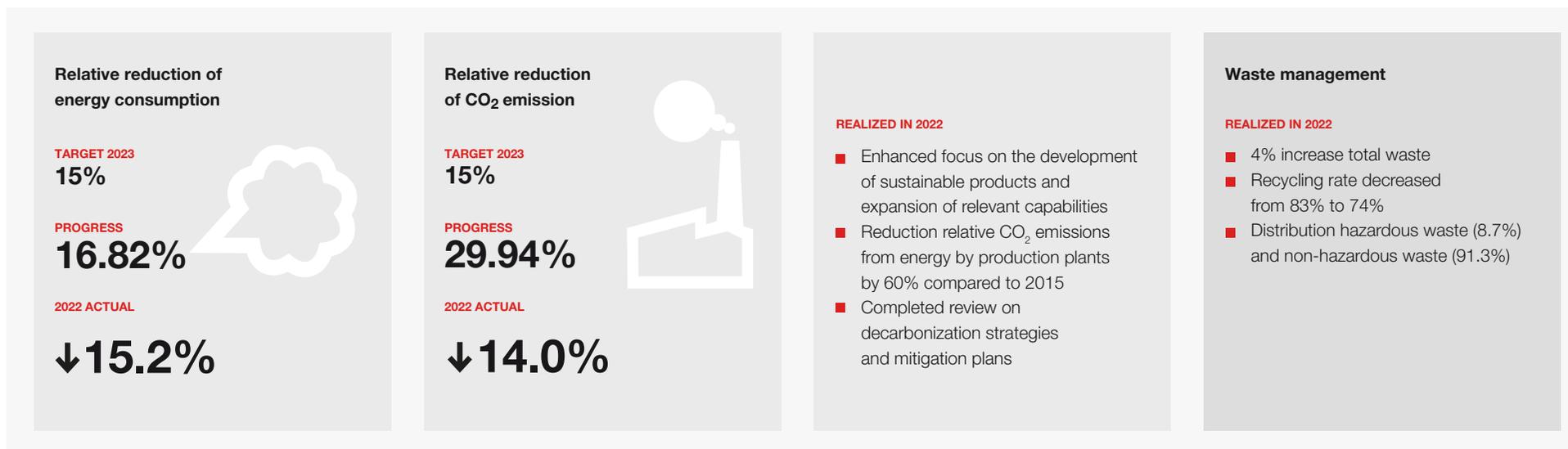
Climate change imposes a fundamental threat to the world. We are taking action to reduce the impact of our business operations on the environment. We consistently strive to increase energy efficiency and use of renewable energy and to reduce emissions of CO₂ in the development and manufacture of our products. Reducing our environmental impact is a key objective and we have implemented several initiatives to reduce our carbon footprint and increase energy efficiency, including the transition to renewable energy sources and the implementation of enhanced waste management practices.

Strategically relevant and sustainable opportunities

We act in accordance with the increasing sustainability demands of society and our stakeholders to reduce the impact of our business operations on the environment by focusing on the development of sustainable products. With our product portfolio we contribute to a sustainable future; our products help meet the increasing demand for clean energy and the accelerating development of electrification of industrial processes and mobility. These key trends in electrification particularly drive demand for our products in wind power, automated warehouses, inductive heating technology and electric vehicles that support the transition from fossil fuel enabled processes to electrical solutions.

Our Business Groups Industrial Brakes (IB) and Industrial Actuators and Controls (IAC) benefit from these developments and their strategic plans are directed at these market segments

2019-2023 TARGET FRAMEWORK



Please refer to the section 'About the sustainability report' on pages 213-214 of this Annual Integrated Report for reporting periods, definitions, scope and limited assurance review.

accordingly. With the addition of 3T – a Netherlands-based developer of electronics and embedded systems – we have expanded our electronics development capabilities significantly, and enhanced our ability to deliver high quality smart actuators for electrified and autonomous vehicles. The 3T acquisition also strengthened IAC's control technology activities.

The accelerating energy transformation due to climate change significantly impacts the industries we operate in. Sustainable products and technologies are seen as the default choice by a growing number of people, and thus offer significant commercial potential. Our smart actuation technology aligns with the increasing demand for products that support the broad energy transition from fossil energy towards cleaner forms of energy. IB capitalizes on this transition in segments such as wind power, intralogistics, and robotics. IAC responds to the increasing demand for sustainable products and technologies with its electrified induction heating systems that replace traditional gas and oil heating solutions, its circuit breakers for electricity distribution and its safety actuators for nuclear power facilities.

Energy and Emissions¹

				Δ %
Energy consumption		2022	2021	2022 / 2021
Power	kWh	24,113,379	24,610,300	-2.0%
Fuel oil	kWh	403,740	614,130	-34.3%
Natural gas	kWh	10,147,307	13,132,173	-22.7%
		34,664,426	38,356,603	-9.6%

				Δ %
Energy consumption per EUR million added value		2022	2021	2022 / 2021
Power	kWh	102,381	111,344	-8.0%
Fuel oil	kWh	1,714	2,778	-38.3%
Natural gas	kWh	43,084	59,414	-27.5%
		147,179	173,536	-15.2%

				Δ %
Energy consumption		2022	2021	2022 / 2021
Absolute consumption, kWh		34,664,426	38,356,603	-9.6%
Relative consumption, kWh / million EUR added value		147,179	173,536	-15.2%

				Δ %
CO ₂ emissions ²		2022	2021	2022 / 2021
Absolute emissions, tonnes		5,833	6,368	-8.4%
Relative emissions, tonnes / million EUR added value		24.8	28.8	-14.0%

¹ Please refer to the section 'About the sustainability report' on pages 213-214 of this Annual Integrated Report for reporting periods, definitions, scope and limited assurance review.

² Scope 1 and 2 of the Greenhouse Gas Protocol.

With the smart actuation technology of the Automotive Group, we help facilitate Autonomous, Connected, Electric and Shared mobility (or 'ACES'). As these developments come with an increasing demand for software and electronics to control our actuators and the safety and comfort of electric vehicles, 3T's software and electronics development capabilities are a welcome and excellent expansion of our existing competences and experiences. The 2022 split of the Automotive Group into two distinct organizations – Automotive Core and Automotive E – will give us the strategic agility needed to remain part of and contribute to the accelerating transformation the automotive industry is going through. The split strengthens Kendrion's ability to benefit from the move towards automotive electrification and clean energy and presents a well-considered and thought-out path towards the future of new forms of sustainable mobility.

Decarbonization strategies

Under our 2019-2023 sustainability target framework we committed to a 15% relative reduction of energy consumption and CO₂ emissions by the end of 2023. The degree of realizing meaningful reductions was pushed to the forefront in the original design of the five-year energy and CO₂ reduction roadmap. The roadmap has subsequently been subject to annual reviews to ensure continued effectiveness of measures implemented and to allow for possible adjustments to the initial approach as the public and political debate about climate change progressed. In 2021, we hired a consultancy firm to perform a comprehensive assessment and provide us with an outside-in perspective on our decarbonization plans. Following through on the recommendations made by this firm, we have developed concrete and validated decarbonization propositions. These have largely been implemented in 2022 in support of the realization of our 2019-2023 sustainability target framework and the subsequent development of an ambitious sustainability target framework for the period 2024 to 2028.

The review that is required to develop an ambitious sustainability target framework for the period beyond 2023 will continue, and we will announce our new 5-year sustainability program for the period 2024 to 2028 – which will include an updated decarbonization strategy – in the course of 2024.

In our effort to reduce our carbon footprint we have implemented several measures. These include the transition to renewable energy sources, and the implementation of a variety of energy-efficient practices – specifically in our production facilities. We expect to generate an estimated 550,000 kWh of renewable energy per year with the solar panels to be installed on our new 28,000 m² manufacturing facility in China, and will continue to further invest in the procurement of renewable energy.

Developing and executing a sustainability strategy with ambitious goals involves transformation time and costs, and the extent to which meaningful contributions can be made is subject to an unequivocal approach throughout the supply chain of the industry in which we operate. We are actively engaging with customers and suppliers that are equally dedicated to address climate change challenges. We aim to develop collaborations that further advance emission reduction efforts throughout the supply chains of which we are part.

Sustainability rating and environmental certification

For many years now, Kendrion has been actively engaged in reducing its environmental impact. Kendrion applies an environmental reporting system that tracks the CO₂ emissions and energy consumption of all the production plants. Kendrion has consistently improved its production processes with the overall objective to reduce the environmental footprint of the production plants.

Kendrion's EcoVadis sustainability rating put us in the top 22% of rated manufacturing companies and illustrates our long-standing commitment to making meaningful contributions.

The global certification ISO 50001 Energy Management System supports the production plants in their efforts to use energy more efficiently by developing and maintaining an energy management system. Kendrion's environmental management systems are in accordance with ISO 14001. ISO 14001 Environmental Management Systems specify requirements for an environmental management system to enhance environmental performance. Kendrion's largest production plants are ISO 50001 certified and ISO 14001 certified.

Waste management: waste disposal and recycling

We focus on on the development and implementation of waste reduction and waste use. Our efforts are structured according to the long-recognized hierarchy of management of waste, in the following order of preference: prevention, reuse, recycling, other recovery and (landfill) disposal.



Kendrion’s ISO 14001 certified manufacturing facilities maintain records of their production and processing of all waste and work with certified waste processing companies when required by local regulation. New waste reduction measures must be implemented each year as part of the ISO 14001 certification process.

We maintain a solid centralized waste data collection process with uniform waste data collection sheets and waste registers using standardized and consistent definitions. The standardization of internal reporting and control processes enable comprehensive reviews of the different categories of waste generated by the Kendrion manufacturing facilities as

well as differences in local waste management practices that are driven by – for example – variances in production processes or regulatory requirements.

The outcome of the most recent waste data analysis shows a slight increase of total waste compared to the prior year and the overall recycling rate decreased from 83% to 74%. The distribution of hazardous waste (8.7%, prior year 9%) and non-hazardous waste (91.9%, prior year 91%) slightly shifted. The top-three of hazardous and non-hazardous materials remained unchanged, with cooling fluid, solvent, old oil, and packaging of hazardous substances comprising the top-three of hazardous materials and iron and steel, commercial waste and cardboard dominating the top-three of non-hazardous materials.

Following our earlier engagement with a specialized consultancy firm we expanded our horizon with respect to waste management. The comprehensive analysis carried out by the external specialist covered a review of key characteristics of our manufacturing processes and the various categories of waste reported through the uniform data collection sheets and waste registers. The outcome of the analysis enhanced our insights and has – among others – been used to develop uniform waste standards. The degree of compliance of a manufacturing location with our newly developed waste standards is assessed annually by means of an internal rating and verification system. The implementation of new waste standards and the related rating and verification system enable us to closely monitor each manufacturing location. The uniform waste standards will be reviewed regularly to ensure they continue meeting current practices and expectations. Our dedicated waste management task force comprising waste management and quality professionals of all Business Groups will continue its analysis to ascertain the feasibility of indicators

and monitoring parameters in the following areas: zero landfill waste, recycling – specifically recycling of Critical Raw Materials (CRMs) – and waste per unit sale (kg). With our current waste management practices – and the envisaged improvements thereof – we reduce our environmental impact and promote a more sustainable future. It is contemplated that our new sustainability target framework for the period 2024 to 2028 will include specified waste management targets. We intend to launch our new sustainability program in 2024.



SOCIAL AND HUMAN CAPITAL

The Social and Human Capital pillar concerns the preservation of the health and safety of our employees by providing a high-quality and safe work environment and maintaining a culture consistent with the norms and values underlying The Kendrion Way and our Code of Conduct. Diversity, fair labor practices and recognition of human rights are other material themes of the Social and Human Capital pillar.

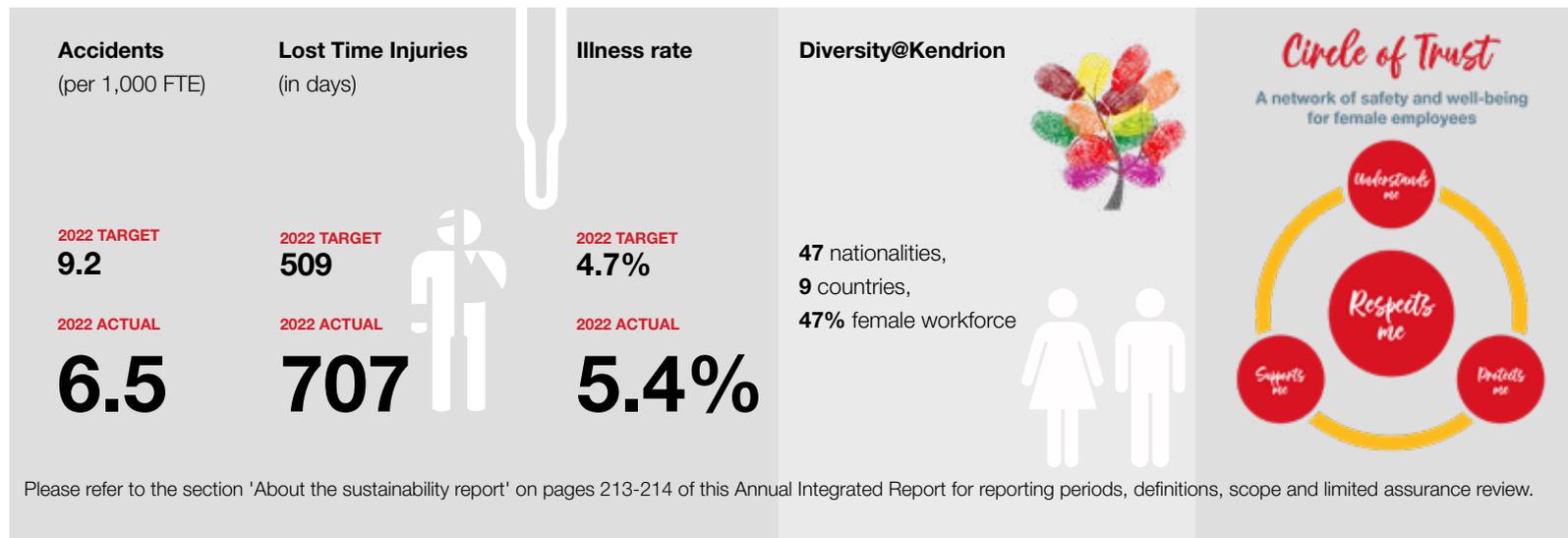
Sustainability objective 2019-2023 target framework:
recurring annual improvement of health and safety figures

Health and Safety

We provide a high-quality and safe work environment where the norms and values underlying The Kendrion Way, and our Code of Conduct are acknowledged and respected. Health and safety have the highest priority in every aspect of Kendrion's operations. We apply the most stringent quality and health and safety standards to protect our people from potential risks that may occur in the workplace and to reduce the risk of accidents and injuries. Kendrion's employees receive periodic safety training, including training in proper use of machinery, protective equipment, handling of substances, emergency procedures, and other safe work practices. In addition, safety inspections are carried out at regular intervals. The health and safety of employees are a crucial aspect of any manufacturing operation and essential to the successful conduct of our business.

The Kendrion Health Task Force monitors our global health and safety figures and coordinates the implementation of structural improvement measures in all our facilities.

Day-to-day responsibility for health and safety is concentrated within the Business Groups in which health and safety are managed systematically and in a standardized manner with clear rules and procedures based on recognized industry standards and best practices that are laid down in Health, Safety & Environmental (HSE) policies. Each production plant further implements initiatives to enhance its HSE standards depending on plant-specific needs, production lines and technologies. HSE audits are performed to assess implementation and compliance with HSE policies at regular intervals. All employees are required to adhere to local health and safety procedures and practices, and participate in training programs. Specific and measurable performance targets for Kendrion's business units and local management include health and safety metrics, which are determined by the number of accidents per 1,000 FTE, Lost Time Injury (LTI) rates and illness rates.



Notwithstanding the discontinuation of many governmental measures prevailing during the peak of the COVID pandemic, the persistent application of hygiene protocols and strict operating procedures, remained topical and has been added to the high health and safety standards we maintain.

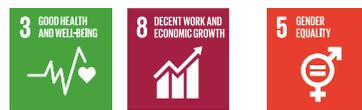
5S methodology

Due to a continued focus on the safety of the production processes, Kendrion achieved good safety results across its production plants. Some of our production plants apply the 5S methodology, which aims to continuously improve workplace safety and working conditions. These plants apply a systematic process to optimize their production lines and periodically perform 5S audits to verify compliance with the methodology.

We undertake to consistently comply with the applicable occupational health and safety regulations at all our locations and, in addition, set our own standards for improving occupational

safety. Our health and safety procedures contribute to the advancement of selected UN Sustainable Development Goals (SDGs), towards SDG 3 (Good health and well-being) and SDG 8 (Decent work and economic growth).

Promoting and maintaining a culture consistent with the norms and values underlying The Kendrion Way and our Code of Conduct are key to enabling long-term employment. The Kendrion Way forms the solid foundation of our strategy that is symbolically captured in the Kendrion 'strategic house'. Our culture and the underlying values underpin all the work we do and contribute to creating an open and inclusive atmosphere. Our Code of Conduct provides further guidance about our cultural norms and values, the value 'integrity' in particular.



Reference is made to pages 64-65 (People and Culture) for more information on The Kendrion Way and our Code of Conduct.

Fair labor practices and human rights

Preserving the health and safety of our employees coincides with our acknowledgement and endorsement of fair labor practices and human rights as described in the Ten Principles of the United Nations Global Compact. Acknowledging and respecting fair labor practices and human rights are an essential component of conveying and practicing sustainable business standards. We do not tolerate any form of forced or involuntary labor and respect children's rights to education and development. We consider ourselves a responsible corporate citizen. We take responsibility for the living conditions and career opportunities at our locations and maintain strong ties to the communities in which we operate. Intercultural understanding and respect, fair working conditions, career development, (gender) diversity

and employee representation are some of the focal points of our corporate citizenship initiatives. These are also areas in which we aim to contribute to the advancement of selected UN Sustainable Development Goals (SDGs), towards SDG 5 (Gender equality) and SDG 8 (Decent work and economic growth).

Our commitment to endorse fair labor practices and respect human rights is recorded in our Fair Labor and Human Rights Policy. This policy contains global standards and principles that are applicable across all Kendrion business operations.

With an international workforce and facilities across three continents, we take a specific interest in promoting respect and

tolerance for different cultures, beliefs, and other characteristics such as religion and gender. We have recorded the value of equal opportunities and equal treatment in our Code of Conduct. We develop education projects that facilitate young people's first experience with the labor market and career development. Because the demand for Science, Technology, Engineering and Mathematics (STEM) skills within Kendrion is high these projects also aim to encourage young talented (female) students to take an interest in STEM related studies.

The Circle of Trust

Workplace well-being is an important part of Kendrion's culture as it relates to all aspects of our employees' working life at Kendrion. Promoting cohesion – within a professional community where all employees feel welcome and respected, regardless of their background or position – enables engagement, innovation, and performance. We have made a concerted effort to prioritize the well-being of our employees through a variety of initiatives.

Realizing social change for female employees in society, particularly in the workforce, is a topical theme. Overall, social change for female employees is a multifaceted topic that requires consistent effort not only from employers but also from their employees. Building on our employee wellbeing program we introduced The Circle of Trust which gives female employees of Kendrion access to a trusted and confidential support line backed by honorable and brave female colleagues. The key objective of The Circle of Trust is to contribute to a safe and ethical working environment and to encourage female empowerment and well-being. By listening and engaging with female employees through a trusted and confidential support line, we provide a sense of community for female employees and further social progress for female employees.



RESPONSIBLE BUSINESS CONDUCT

The Responsible Business Conduct pillar focuses on business conduct and integrity, accountability, and transparency. Material themes for the Responsible Business Conduct pillar include sustainable sourcing and ethical behavior.

Sustainable sourcing

We are consistently looking for ways to increase efficiency and transparency in our supply chain and ensure we source our materials in an environmentally friendly and socially viable manner. Our understanding of sustainability and our pursuit of long-term sustainability goals are not limited to achieving energy efficiencies and reducing our carbon footprint. Our sustainability commitments and efforts are directed at other parts of the value chain as well. In our supply chain we do our utmost to maintain a high level of transparency, and we are dedicated to further enhancing the current level of transparency. At Kendrion, sustainable sourcing represents our objective to work with suppliers that act responsibly and with integrity. Kendrion selects suppliers based on various criteria, including sustainability criteria, and requires suppliers to sign and adhere to the Kendrion Supplier Code of Conduct. Our Supplier Code

of Conduct includes specific requirements relevant to the recognition of human rights, commitments to a safe working environment, environmental protection, and responsible business practices.

Kendrion operates as part of a supply chain with a central focus on product development and manufacturing processes. Kendrion and other parties forming part of the supply chain are collectively responsible for maintaining the quality and sustainability of the products in the supply chain. All parties forming part of the supply chain play a role in addressing major issues that affect the supply chain. Kendrion intends to play a meaningful role in the supply chain in which it is active. To achieve meaningful results, it is of great importance that Kendrion continues to engage in dialogue with its suppliers and continues to consider performance with respect to sustainability in its supplier selection and assessment.



The sourcing of certain minerals such as tantalum, tin, tungsten, and gold (i.e. ‘conflict minerals’) has been linked to human rights abuses or widespread violence. We perform inquiries into our supply chain to confirm that materials supplied are conflict-free and that suppliers are not aware of non-compliance in their supplier base. We do not source any tantalum, tin, tungsten, or gold. We request our suppliers to complete a conflict mineral reporting template or similar material statement to evidence compliance. We also expect our suppliers to adhere to the principles and standards included in our Supplier Code of Conduct, which also contains restrictions on the use of conflict minerals.

Permanent magnets are used in some of Kendrion’s products. The volumes we use are limited. However, we cannot avoid the use of permanent magnets altogether, as their use increases product functionality and certain product specifications, such as torque in industrial brakes. One category of permanent magnets contains several rare earth metals. The mining and refining of rare earth metals is energy intensive. Kendrion strives to use as little of these permanent magnets as technically feasible.

Our facilities are supported by an extensive supplier network. Frequently used materials are steel, aluminum, copper, and plastics. In many cases, semi-finished products are purchased based on specifications of Kendrion’s customers. Kendrion used 1,811 tons of copper (best estimate) in the manufacture of its products in 2022 (2021: 1,761).

Supplier Code of Conduct and audits

We are committed to ensuring that our responsible sourcing standards, compliance with laws and regulations, as well as environmental and social standards, are maintained along our supply chain. To minimize compliance, environmental and social

risks in our supply chain, we apply a standardized due diligence process, including completion of (material) compliance statements and use of other checks and validations. New suppliers are also required to adhere to the principles and standards of our Supplier Code of Conduct, which explicitly includes Kendrion’s right to carry out an audit at the supplier’s site to verify compliance with the standards and principles of our Supplier Code of Conduct.

Kendrion conducts audits to review whether suppliers comply with the standards and principles of the Supplier Code of Conduct. Supplier audits are internal audits performed by Kendrion employees based on an internal procedure that prescribes the collection of corporate responsibility documentation of the relevant supplier in the case the supplier is ISO certified, and the use of standardized self-assessment questionnaires in the case the supplier is not ISO-certified. Audits that reveal that a supplier does not meet the requirements of the Supplier Code of Conduct are followed by a meeting to ask the supplier to prepare a remediation plan.

Failure to adequately follow up the remediation plan may result in the termination of the relationship with the relevant supplier. The results of the 29 (2021: 26) supplier audits conducted in 2022 have been encouraging as most suppliers followed through on our audit procedures. As in 2021, none of our suppliers failed to fulfill the recommended requirements for

compliance with the Supplier Code of Conduct. However, there was a limited number of suppliers where we had to follow up to clarify their responses.

Through the approach and initiatives set out above, Kendrion actively encourages its suppliers to take responsibility in addressing issues that affect the supply chain.

Ethical behavior

Kendrion believes it is important that all our activities are conducted with integrity and transparency. To this end, Kendrion fosters a culture in which shared norms, universal ethical values and behaviors are the standard. These shared norms, ethical values and expected behaviors are laid down in a set of internal policies and procedures. In addition to setting norms, values and expected behaviors, Kendrion’s policies and procedures are aimed at ensuring compliance with applicable laws and regulations.

Key internal policies and procedures include Code of Conduct, Anti-Bribery and Anti-Corruption Policy, Speak-up procedure, Fair Labor and Human Rights Policy, Competition Compliance Manual, Insider Trading Code, Data Protection Governance Guidelines, Personal Data Breach Reporting Procedure, Supplier Code of Conduct and related internal policies and procedures.

Simplified supply chain overview Kendrion:



Our Code of Conduct builds on the values of The Kendrion Way, and the value ‘integrity’ in particular. The Code of Conduct is about bringing together over 2,708 people with 47 different nationalities from multiple Kendrion locations around the globe that operate under The Kendrion Way and together form the Kendrion brand. The Code of Conduct provides unity and sets guidance for business decisions and principles of ethical behavior. It is about taking the right decisions in our everyday business lives. We expect all our employees to do what is ethically right and legal, and not only live by and respect the principles set forth in the Code of Conduct, but also convey the message underlying the Code of Conduct. Education, training and concrete examples of expected behaviors, dilemmas and actions are key to ensuring continued compliance with our values.

Kendrion does not tolerate bribery or any form of corruption. Bribery may involve the offering, promising, or giving of payments or other benefits to any person (including government officials or public officials) to improperly influence a business outcome, but it also means accepting payment or benefits offered to improperly influence a business outcome. Integrity of financial reporting is also a key principle. The Kendrion Anti-Bribery and Anti-Corruption Policy specifically addresses these matters.

Kendrion considers it essential that every employee understands, complies with, and conveys the shared norms and universal ethical values and behaviors as laid down in the internal policies and procedures. Our policies and procedures are fundamental to ensuring responsible business conduct. It is the responsibility of senior management to lead by example and to ensure that all Kendrion employees are aware of and behave in accordance with the spirit and the letter of Kendrion’s policies and procedures.

As part of the development of a new sustainability program for the period 2024-2028 – we will consider and work towards building key performance indicators related to business ethics and integrity.

Monitoring and accountability

As we require all employees to understand and sign off on and comply with the Code of Conduct – the Code of Conduct is part of every employee’s onboarding process. To ensure continued awareness of the values underlying the Code of Conduct and the relevance of continued compliance – a new online training program will be introduced. This online training specifically addresses matters such as corruption, bribery, conflicts of interest etc. Subsequent to the implementation of the new online compliance training program in 2023 – Kendrion will launch a refresher compliance training at regular intervals.

We monitor compliance with the Code of Conduct – and other applicable internal policies – in all operating companies through quarterly internal reporting procedures that operating companies are subject to. Reports submitted are – to the extent required and appropriate – discussed among the Executive Board and the responsible Business Group Director and Business Group management team during quarterly business reviews.

Speak-up line

We encourage our employees who have a concern about a (suspected) violation of our Code of Conduct or any related policy – to speak-up and express their concerns. Our Speak-up procedure provides guidance on how to raise concerns and the way in which reported concerns are handled. Our reporting procedure includes a global Speak-up line managed by an

external party through which employees who feel uncomfortable raising their concerns with their direct manager, higher management, or their HR manager, can speak-up and raise their concerns anonymously. The Speak-up line offers phone and web-based reporting and is available to our employees twenty-four hours, seven days a week. Reports of potential or suspected misconduct or other issues can be made by employees in their native language. In 2022, six reports were made through the Speak-up line. These reports were assessed by the Compliance Committee and, where appropriate, further investigated or advised upon.

Violation of the Code of Conduct may lead to sanctions, including termination of employment. None of the six reports made through the Speak-up line in 2022 resulted in a dismissal of employees.

The Speak-up line is also accessible to external stakeholders of Kendrion that wish to make a report and raise their concerns about a(n) (alleged) breach of the Code of Conduct or related policies. The Speak-up procedure and the contact details of our Speak-up line are also published on our [corporate website](#).

Taxes

Our tax policy is based on the core values embedded in the Code of Conduct and aligned with our strategy and the notion of responsible business conduct.

Taxable profits are recognized in jurisdictions in which value is created, in accordance with the applicable tax regulations and standards, including the OECD Guidelines for Multinational Enterprises and local transfer-pricing and other applicable tax regulations. Kendrion does not seek to establish aggressive tax-driven structures that are not compliant with the letter and spirit of applicable tax regulations. This means that Kendrion

does not pursue any aggressive tax planning or establishment of entities in tax haven jurisdictions solely for tax optimization purposes and without commercial substance. Reference is made to pages 84-85 (Corporate Governance Report) for more information about our tax policy.

Sustainable development goals

Kendrion aims to contribute to the advancement of several selected SDGs.

Kendrion previously conducted a review of where it can best contribute to the advancement of SDGs. This involved careful consideration of all SDGs, while taking dialogues with stakeholders into account. The outcome of the materiality assessment performed in 2020, which also included a sustainability survey, required nor justified substantive amendments to Kendrion's prior determination that SDGs 3 (Good health and well-being), 12 (Responsible consumption and production) and 13 (Climate action) are areas where Kendrion can achieve the biggest and most positive impact.

Kendrion will continue developing best practices and standards – and where appropriate qualitative and quantitative targets – that support the advancement of the selected SDGs.



SDG 3 – Good health and well-being

Kendrion has strong HSE policies within its organization and each production plant implements tailored initiatives to further enhance their HSE standards depending on plant-specific needs, production lines and

technologies. Through Kendrion's Responsible Product Portfolio (which includes Products that Improve Health, Products that Reduce Climate Impact and Products that Keep you Safe), Kendrion contributes the advancement of healthier lives and improvement of well-being for all.



SDG 12 – Responsible consumption and production

In all its production processes, Kendrion is committed to minimizing waste and disposing of waste in an environmentally responsible manner. Kendrion's largest production plants are ISO 14001 certified. As part of the ISO 14001 certification process, new waste reduction measures

must be implemented every year. Through the implementation of a waste management hierarchy in harmonized waste management practices, Kendrion is committed to contributing to the advancement of sustainable production patterns.



SDG 13 – Climate action

Kendrion has established strategies and plans to increase energy efficiency, use renewable energy and reduce CO₂ emissions. Concrete and measurable targets support these strategies and plans. To mitigate the effects of climate change, Kendrion focuses resources on the development of sustainable products and the improvement of manufacturing processes. Kendrion contributes to creating a sustainable future as many products in our product portfolio help meet the increasing demand for clean energy and facilitate

the accelerating development of electrification of industrial processes. These key trends in electrification particularly drive the demand for Kendrion's products in wind power, automated warehouses, and inductive heating technology supporting the transition for certain oil and/or gas enabled industrial processes to electrical solutions. Kendrion's smart actuation technology supports the transition to sustainable mobility (i.e. Autonomous, Connected, Electric and Shared driving). Kendrion's largest production plants maintain energy management systems in accordance with ISO 50001.

Disclosures pursuant to the EU Taxonomy Regulation*

With the EU Taxonomy Regulation* (the 'EU Taxonomy Regulation'), a statutory framework has been introduced pursuant to which sustainable economic activities are classified. We are confident that the classification and earmarking of sustainable economic activities will make a positive contribution towards increasing transparency and thereby comparability of the extent to which companies are pursuing sustainable economic activities within the meaning of the EU Taxonomy Regulation. Whilst we support the strengthening of the regulatory framework and the transparency it creates regarding sustainable economic activities – it must be acknowledged that in the early stages of implementation of the EU Taxonomy Regulation (and the ancillary regulations thereto) certain ambiguities and uncertainties remain with respect to the interpretation and scope of the newly introduced disclosure requirements. Moreover, the disclosure requirements assume an unequivocal approach and effortless collaboration throughout the supply chains of the industries we operate in. Naturally – one's place in the supply chain impacts the extent to which a party can exercise decisive influence, which is relevant with respect to certain mandatory disclosure requirements under the EU Taxonomy Regulation. We feel supported by our customers, suppliers and other business relations who have inspired and taken a constructive approach towards sustainability while at the same time recognizing the different levels of complexity depending on our and our supply chain partners' position within the relevant supply chain.

Pursuant to the EU Taxonomy Regulation, Kendrion is subject to mandatory disclosures of its economic activities in terms of revenue, capital expenditures and operational expenditures, in each case to the extent these financial performance indicators are linked to eligible and aligned economic activities within the meaning of the EU Taxonomy Regulation and the Delegated Acts issued thereunder. Relevant to the period under review, two out of six environmental objectives have been defined by the European Commission by means of Delegated Acts: climate change mitigation and climate change adaptation. Mandatory disclosures pursuant to the EU Taxonomy will over time be extended to include the remaining four environmental objectives: sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.

An economic activity is considered eligible under the EU Taxonomy Regulation if such activity is in scope of the Delegated Acts to the EU Taxonomy Regulation and considered likely to substantially contribute to one of the six environmental objectives, i.e. (i) climate change mitigation; (ii) climate change adaptation; (iii) sustainable use and protection of water and marine resources; (iv) transition to a circular economy; (v) pollution prevention and control; and (vi) protection and restoration of biodiversity and ecosystems. Whether an economic activity taxonomy eligible or not does not define the (un)sustainability of that activity. Being taxonomy eligible is exclusively an indication that a certain economic activity is considered to make a substantial contribution to one of the six environmental objectives defined under the EU Taxonomy Regulation.

Taxonomy alignment of an economic activity goes beyond eligibility. Taxonomy aligned means that an economic activity complies with the requirements enumerated specifically for this activity – as the economic activity:

- substantially contributes to one or more of the environmental objectives under the EU Taxonomy Regulation by meeting the relevant technical screening criteria under the applicable Delegated Acts to the EU Taxonomy Regulation;
- does not cause any significant harm to the other environmental objectives, by meeting the applicable 'Do no Significant Harm' criteria under the Delegated Acts to the EU Taxonomy Regulation;
- is carried out in compliance with the minimum social and governance safeguards.

Only when an economic activity is compliant with the abovementioned conditions, criteria, and the relevant minimum safeguards is the activity considered to be taxonomy aligned.

* Regulation (EU) 2020/852

Eligible activities

We carried out an analysis of our activities to identify activities that correspond to the activities included in the taxonomy Delegated Acts covering climate change mitigation and climate change adaptation. The assessment and determination of Kendrion's taxonomy eligible activities is based on current insights and best judgement in the absence of certain data that is not yet in full obtainable through existing reporting systems. The implementation of certain changes to existing reporting systems are anticipated with a view to continue meeting applicable statutory disclosure requirements.

Our assessment led to the identification of the following eligible activities falling within the scope of the two published climate objectives, i.e. climate change mitigation and climate change adaptation.

Eligible activity	Description
3.1 Manufacture of renewable energy technology	Electromagnetic brakes for wind power turbines
3.3 Manufacture of low carbon technologies for transport	Components and subsystems for electric vehicles
3.6 Manufacture of other low carbon technologies	Components and subsystems for inductive heating
7.1 Construction of new buildings	Construction new China factory (28,000 m ²)

Consistent with current guidance, where taxonomy eligible economic activities could cover both the 'climate change mitigation' and the 'climate change adaptation' environmental objective, economic activities have been allocated to the EU taxonomy environmental objective 'climate change mitigation' as the contribution to 'climate change adaptation' is considered less significant.

Electromagnetic brakes for wind power turbines

Kendrion has been active in the wind energy industry for years and is well-positioned to support manufactures of wind turbines. Tens of thousands of Kendrion's brakes are installed in wind parks worldwide and with factories in the EU, China, India and the US, Kendrion can provide locally customized, high-quality brakes. In 2022, Kendrion served more global customers and it is expected to continue this trend in 2023.

Components and subsystems for electric vehicles

Supporting the change towards clean, electric mobility, with increased passenger comfort and safety is a strategic focus area of Kendrion. In Automotive Kendrion focuses on actuators for sound, suspension, and sensor cleaning, three products specifically aimed at Autonomous, Connected, Electrified and Shared, or abbreviated ACES vehicles. This includes subsystems and components for active suspension, Acoustic Vehicle Alerting Systems (AVAS) for electric vehicles, and a turnkey sensor cleaning solution.

Components and subsystems for inductive heating

Kendrion's Industrial Actuators and Controls Business Group product portfolio includes modular, electrified heating systems to replace traditional heating solutions that use gas or oil.

Construction 28,000 m² China factory

Our new 28,000 m² manufacturing facility at the renowned Suzhou Industrial Park (SIP) in China will be outfitted with solar panels. With these solar panels, we expect to generate approximately 557,000 kWh of solar energy per year.

Assessment of aligned activities

We carried out an assessment of the technical screening criteria for identified eligible activities based on an analysis of the relevant product propositions. The assessment involved Kendrion's sustainability expert task force as well as business

controllers and managers from different function areas who are responsible for or are otherwise overseeing the development, manufacture, or sale of eligible product activities.

Taking account of Kendrion's position in the supply chain, it is currently not feasible to determine or control the entire life span of the product that is linked to a eligible economic activity. Therefore, meeting the relevant circular economy condition is currently not achievable.

Minimum safeguards

The minimum safeguards consist of criteria relating to human rights and responsible business conduct – particularly in the areas of anti-bribery and anti-corruption – fair competition and taxation. Kendrion respects the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights – as such principles are also recorded in various policies, including Kendrion's Fair Labor and Human Rights Policy, Anti-bribery and anti-corruption Policy, tax policy, Code of Conduct, Supplier Code of Conduct and Competition Compliance Manual. Kendrion's Compliance Committee evaluates and monitors implementation of and compliance with applicable procedures and policies. Kendrion is a member of the UN Global Compact and supports the Ten Principles of the UN Global Compact in each of the four areas: human rights, labor, environment, anti-corruption). The policies and procedures in place reflect the UN Global Compact principles and our membership to the UN Global Compact is a confirmation of our commitment and sustainability ambitions.

Human Rights

Kendrion suppliers are required to adhere to Kendrion's Supplier Code of Conduct – which includes the recognition of human rights. We have in place a supplier audit procedure pursuant to which compliance with Kendrion's Supplier Code of Conduct is assessed. Kendrion is committed to further develop

and strengthen its supplier audit process – which will be part of Kendrion's new sustainability program for the period 2024-2028 that is expected to be announced in 2024. We also launched an updated Fair Labor and Human Rights Policy which contains global standards and principles endorsing fair labor practices and respect for human rights.

Anti-corruption and anti-bribery

Kendrion takes a zero-tolerance approach to bribery and corruption. Our commitment to prevent corruption has been recorded in Kendrion's Anti-bribery and anti-corruption policy as well as our Code of Conduct.

Taxation

Our sustainability commitments, our company values as embedded in the Code of Conduct and The Kendrion Way, also form the foundation of our approach to taxation. Kendrion's tax policy is based on the values laid down in the Code of Conduct and aligned with Kendrion's strategy and rationale underlying the value creation pillar Responsible Business Conduct, which is part of Kendrion's current global sustainability program.

Fair competition

We support the principle of free enterprise and unrestricted competition as a basis for conducting business and we adhere to the applicable competition laws and regulations. Our Competition Compliance Manual provides guidance and principles on fair competition.

Kendrion's Responsible Product Portfolio

Aside from our efforts relevant to the requirements imposed pursuant to the EU Taxonomy Regulation, we continue our focus on the expansion of our Responsible Product Portfolio, which includes the category 'Products that reduce climate impact' – i.e. products that contribute to or otherwise support the energy transition. We systematically take account of the different aspects of sustainable product development with a

view to enhancing Kendrion's environmentally sustainable economic activities, whilst recognizing that we are part of an extensive chain of links that together comprise the supply chain of the industries in which we operate. Our Responsible Product Portfolio also covers the categories: 'Products that keep you safe' and 'Products that improve health'. The product roadmaps of our Business Groups are directed at all three categories of the responsible product portfolio. The visual on page 56 provides a summary overview of the products included in our Responsible Product Portfolio.

Financial performance indicators

The figures reported below relate to the consolidated companies included in Kendrion's consolidated financial statements.

Revenue

As per 31 December 2022, the total revenue used for the calculation of the taxonomy revenue performance indicator amounts to EUR 519.3 million and corresponds to the group revenue as included in the consolidated financial statements. Our consolidated revenue can be reconciled to our consolidated financial statements, cf. income statement on page 182 of this Annual Integrated Report.

Kendrion's taxonomy eligible revenue amounts to EUR 43.5 million representing close to 8.4% of total revenue for 2022 and corresponds to revenue generated by the manufacturing and sale of electromagnetic brakes for wind power turbines, components and subsystems for electric vehicles and components and subsystems for inductive heating.

Although of the total 2022 revenue we cannot report taxonomy aligned revenue due to insufficiencies relevant to certain process steps – we would have expected that the 2022 revenue generated by the manufacturing and sale

of electromagnetic brakes for wind power turbines would have qualified as taxonomy aligned revenue absent such insufficiencies relevant to certain process steps. We are committed to improving our processes and reporting systems with a view to enable us to report taxonomy aligned revenue.

Capital expenditures

Total capital expenditure consists of all additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization, and any other re-measurements. Additions resulting from business combinations are also included, with the exception of goodwill. Our total capital expenditure can be reconciled to our consolidated financial statements, notes 1 and 2 of the financial statements in this Annual Integrated Report. Taxonomy eligible capital expenditure includes capital expenditure directly related to the taxonomy eligible economic activities, including the construction of an energy efficient building in China.

As per 31 December 2022, the total amount of capital expenditures used for the calculation of the taxonomy capital expenditure performance indicator amounts to EUR 39.0 million.

As per 31 December 2022, taxonomy eligible capital expenditures amount to EUR 20.4 million and relate to investments in development and manufacture of components and subsystems for electric vehicles as well as investments relevant to the construction of the new manufacturing facility in China. The amount of taxonomy eligible capital expenditures does not qualify as taxonomy aligned.

Operating expenditures

Total operational expenditures consist of direct non capitalized costs related to research and development, repair and maintenance and any other direct expenditure relating to the day-to-day servicing of assets of property, plant and

equipment. This includes research and development expenditure recognized as an expense during the reporting period in our income statement, as referred to in note 26 of the financial statements in this Annual Integrated Report. Maintenance and repair and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment were determined based on expenses that are recorded as repair and maintenance and housing costs,

including in different line items as other operating expenses in note 26 of the financial statements in this Annual Integrated Report.

As per 31 December 2022, the total amount of operating expenditures used for the calculation of the taxonomy operating expenditures performance indicator amounts to EUR 38.8 million.

As per 31 December 2022, taxonomy eligible operating expenditures amount to EUR 3.5 million and relate to costs relevant to development and manufacturing of components and subsystems for electric vehicles as well as costs relevant to the development and manufacturing of components and subsystems for inductive heating. The amount of taxonomy eligible operating expenditures does not qualify as taxonomy aligned.

REVENUE	Codes	Absolute revenue in mio €	Proportion of revenue	Substantial Contribution Criteria				DNSH criteria				Category (enabling activity)	
				Climate change mitigation	Climate change adaption	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity and ecosystem	Minimum safeguards		
Economic activities													
A. Taxonomy eligible activities													
A.1 Environmentally sustainable activities (Taxonomy aligned)													
Manufacture of renewable energy technologies	3.1	–	%	–	–	Y	Y	Y	Y	Y	Y	Y	Enabling
Manufacture of low carbon technologies for transport	3.3	–	%	–	–	Y	Y	Y	N	Y	Y	Y	Enabling
Manufacture of other low carbon technologies	3.6	–	%	–	–	Y	Y	Y	N	Y	Y	Y	Enabling
A.2 Taxonomy Eligible, non-aligned Taxonomy activities													
Manufacture of renewable energy technologies	3.1	11.7	2.3%										
Manufacture of low carbon technologies for transport	3.3	24.0	4.6%										
Manufacture of other low carbon technologies	3.6	7.8	1.5%										
Total A.1+ A.2		43.5	8.4%										
B. Taxonomy-non-eligible-activities													
Revenue		475.8	91.6%										
Total (A+B)		519.3	100%										

CAPEX	Economic activities	Codes	Absolute Capex in mio €	Proportion of Revenue	Substantial Contribution				DNSH criteria					Category
					Climate change mitigation	Climate change adaption	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity			
											Climate change mitigation	Climate change adaption	Water and marine resources	
A. Taxonomy Eligible activities														
A.1 Environmentally sustainable activities (Taxonomy aligned)														
	Manufacture of low carbon technologies for transport	3.3	–	0%	0%	0%	Y	Y	Y	N	Y	Y	Y	Enabling
	Construction of new buildings	7.1	–	0%	0%	0%	N	Y	N	N	Y	Y	Y	Enabling
A.2 Taxonomy Eligible but not environmentally sustainable (non - Taxonomy aligned activities)														
	Manufacture of low carbon technologies for transport	3.3	5.4	14%										
	Construction of new buildings	7.1	15.0	38%										
	Total A.1+ A.2		20.4	52%										
B. Taxonomy-non-eligible-activities														
	CapEx of Taxonomy non-eligible-activities		18.6	48%										
	Total Capex (A+B)		39.0	100%										

OPEX	Economic activities	Codes	Absolute Opex in mio €	Proportion of Revenue	Substantial Contribution				DNSH criteria					Category
					Climate change mitigation	Climate change adaption	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Biodiversity			
											Climate change mitigation	Climate change adaption	Water and marine resources	
A. Taxonomy Eligible activities														
A.1 Environmentally sustainable activities (Taxonomy aligned)														
	Manufacture of low carbon technologies for transport	3.3	–	0%	0%	0%	Y	Y	Y	N	Y	Y	Y	Enabling
	Manufacture of other low carbon technologies	3.6	–	0%	0%	0%	Y	Y	Y	N	Y	Y	Y	Enabling
A.2 Taxonomy Eligible but not environmentally sustainable (non - Taxonomy aligned activities)														
	Manufacture of low carbon technologies for transport	3.3	2.8	7%										
	Manufacture of other low carbon technologies	3.6	0.7	2%										
	Total A.1+ A.2		3.5	9%										
B. Taxonomy-non-eligible-activities														
	Opex of Taxonomy non-eligible-activities		35.2	91%										
	Total Opex (A+B)		38.7	100%										

Products that keep you safe • Products that keep you healthy • Products that reduce climate impact



INDUSTRIAL BRAKES



INDUSTRIAL ACTUATORS
AND CONTROLS



AUTOMOTIVE



Environmentally sustainable economic activities

WINDPOWER AND AUTOMATED WAREHOUSES

INDUCTIVE HEATING AND ENERGY DISTRIBUTION

ELECTRIC VEHICLES



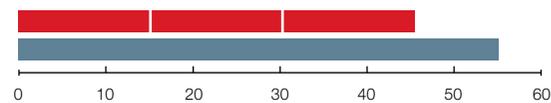
Products that keep you safe

Products that keep you healthy

Products that reduce climate impact



RESPONSIBLE PRODUCT PORTFOLIO | 45% OF GROUP REVENUE |



Reporting principles and external verification

Being transparent and accountable is fundamental to the way in which Kendrion operates. Our approach to reporting enhances discipline to our sustainability and responsible business practices. It ensures that we align our activities with our strategic objectives and business values. Our sustainability reporting shows whether our activities and initiatives meet our 2019 to 2023 sustainability target framework. The scope of Kendrion's non-financial reporting is based on the information requirements of our key stakeholder groups. To ensure that Kendrion meets the information requirements of its stakeholders, Kendrion performs materiality analyses at regular intervals. The most recent materiality analysis was carried out in 2020 as further described on page 39 of this Annual Integrated Report.

Kendrion adheres to a solid validation and reporting process supported by an appropriate control framework to safeguard the quality and accuracy of the collected non-financial data. Selected sustainability performance targets are subject to a limited assurance review by Deloitte Accountants B.V. Please refer to pages 202-204 of this Annual Integrated Report for reporting periods, definitions, scope, and limited assurance review.

Kendrion's Executive Board expresses its continued support for the UN Global Compact and Kendrion's ongoing commitment to the initiative. This Annual Integrated Report provides a description of actions that Kendrion has taken and the measures Kendrion intends to take to implement the Ten Principles of the UN Global Compact in each of the four areas (human rights, labor, environment, anti-corruption).

Progressing on sustainability



Accelerating ambitions beyond 2023

Increase renewable energy	Reduce emissions	Sustainable sourcing	Gender diversity	Health and safety

Stakeholders



Customers

Kendrion's customer base comprises industrial companies that use our components to manufacture a range of industrial applications as well as Tier 1 suppliers and OEMs in the automotive sector. Kendrion's customers are increasingly implementing sustainability requirements for their suppliers. Kendrion focuses on consistent compliance with these requirements.



Suppliers

Kendrion is consistently looking for ways to increase transparency in the supply chain and expects its suppliers to adhere to the standards of the Kendrion Supplier Code of Conduct and follows a consistent approach towards the performance of supplier audits to verify compliance. These efforts contribute to a continuous improvement in compliance with the Supplier Code of Conduct.



Employees

Our talented and highly skilled employees play a crucial role in the way in which Kendrion operates its business. Kendrion fosters a culture that empowers its employees to reach their full potential and to achieve the best results. As reflected in 'The Kendrion Way' and the Code of Conduct we create an open and inclusive culture to recruit, motivate and retain a highly diverse workforce that reflects the communities in which we operate. An engaged and committed workforce contributes to the achievement of Kendrion's financial and non-financial targets.



Shareholders

The endorsement of sustainable development and addressing environmental, social and governance (ESG) related issues is becoming increasingly important for Kendrion's shareholders. Kendrion engages with its major shareholders and financiers, not only concerning Kendrion's global sustainability program and its material topics and objectives, but also with respect to the ESG policies and activities of its major shareholders and financiers. Kendrion provides adequate transparency towards its shareholders and financiers about climate change and reducing the negative impact of climate change and addressing other social issues, strategy and financial performance.



Local communities

Kendrion is making a positive contribution to the reduction of social and economic gaps. Kendrion appreciates the importance of maintaining constructive and appropriate contacts with local communities and authorities.



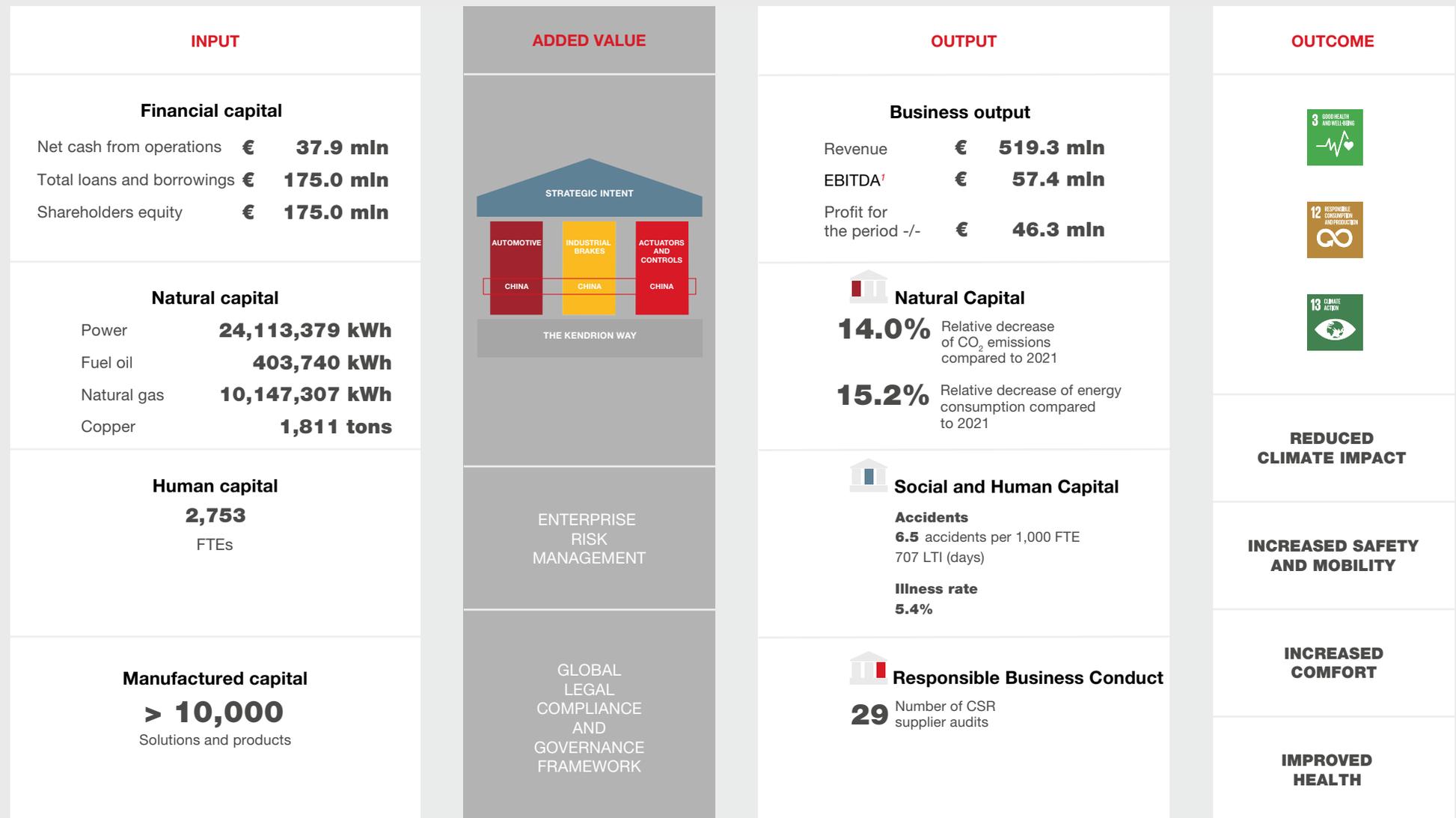
Technical universities and institutions of higher technical education

Active engagement with students is key to understanding their views and observations on sustainability and forms a valuable platform for the exchange of knowledge and experiences. Dialogues with students are often inspirational and stimulate the formulation of innovative sustainability goals and ambitions, including our ambition to encourage young talented female students to take an interest in Science, Technology, Engineering and Mathematics (STEM) related studies. These dialogues also raise awareness among students about sustainability and its importance.

The table below describes the communication resources and channels per stakeholder and their relevance to Kendrion's global sustainability program.

 <h2>Customers</h2> <p>Communication resources and channels Customer and sales meetings, Kendrion websites, contract meetings, press releases Engagement with customers takes place at regular intervals</p> <p>Topics discussed Quality of products and services, Kendrion's global sustainability program and objectives, customer satisfaction, waste, energy, water use, use of rare earth materials, conflict minerals, responsible business conduct, ISO and IATF certification</p> <p>Relevance to Kendrion's global sustainability program Obtain views and observations concerning sustainability from the customer's perspective, further insight into customer needs and expectations, sharing experiences and best practices, continuous improvement, and development of sustainability contribution</p>	 <h2>Suppliers</h2> <p>Communication resources and channels Supplier Code of Conduct, supplier sustainability and quality audits, Kendrion websites, supplier and contract meetings Engagement with suppliers takes place at regular intervals</p> <p>Topics discussed Quality of products and services, Kendrion's global sustainability program and objectives, management of supply chain risks (e.g. material shortages) and joint pursuit of improvements in the supply chain, responsible business conduct, Supplier Code of Conduct, waste, energy, water use, use of rare earth materials, conflict minerals</p> <p>Relevance to Kendrion's global sustainability program Obtain views and observations concerning sustainability from the supplier's perspective (incl. the improvement of transparency in the supply chain), further insight into supplier needs and expectations, sharing experiences and best practices, continuous improvement and development of sustainability contributions</p>	 <h2>Employees</h2> <p>Communication resources and channels Works Council meetings, meetings with employee representatives, employee satisfaction and culture surveys, workshops, training courses, intranet, internal personnel magazine, e-mail newsletters, feedback meetings, staff and townhall meetings Engagement with employees takes place on a daily basis</p> <p>Topics discussed Kendrion's global sustainability program and objectives, particularly regarding health and safety, employability, training and development, employee satisfaction and company culture, responsible business conduct, compliance and ethical behavior</p> <p>Relevance to Kendrion's global sustainability program Obtain views and observations concerning sustainability from the employee's perspective, further insight into employees' capabilities and motivations, strengthening business sustainability culture, enhancing employee commitment, participation, and awareness</p>
 <h2>Shareholders</h2> <p>Communication resources and channels General Meeting of Shareholders, analyst and investor meetings, conferences, Capital Markets Day, press releases, Kendrion's corporate website Engagement with shareholders takes place at least on a quarterly basis</p> <p>Topics discussed Kendrion's global sustainability program and objectives</p> <p>Relevance to Kendrion's global sustainability program Obtain views and observations concerning sustainability from the investor's perspective (incl. climate change and reducing the negative impact of climate change and addressing other social issues), further insight into shareholders needs and expectations, sharing experiences and best practices, continuous improvement, and development of sustainability contributions</p>	 <h2>Local communities</h2> <p>Communication resources and channels Local meetings, Kendrion websites, open days Engagement with local communities takes place at regular intervals</p> <p>Topics discussed Communities' participations and investments</p> <p>Relevance to Kendrion's global sustainability program Community connection, involvement and participation</p>	 <h2>Technical universities and institutions of higher technical education</h2> <p>Communication resources and channels Presence at fairs, organization of student events, projects and internships engagement with universities, schools and institutes takes place at regular intervals</p> <p>Topics discussed Kendrion's global sustainability program and objectives (incl. advancement of gender diversity), also with a view to creating awareness and stressing the importance and relevance of sustainability</p> <p>Relevance to Kendrion's global sustainability program Obtain views and observations concerning sustainability of new generation and raise awareness</p>

Value creation model



¹ Normalized for costs and benefits outside the normal course of business. The bridge from reported to normalized figures can be found on page 210.



<p>2,753 Total number of employees in FTEs at 31 December (number FTE)</p>	<p>1,404 Direct employees (number FTE)</p>	<p>1,135 Indirect employees (number FTE)</p>	<p>214 Temporary employees (number FTE)</p>	<p>2,708 Total number of employees at 31 December</p>	<p>1,267 Women employed (number)</p>	<p>1,441 Men employed (number)</p>
2021 2,728	2021 1,385	2021 1,127	2021 216	2021 2,659	2021 1,267	2021 1,392

Please refer to the section ‘About the sustainability report’ on pages 213-214 of this Annual Integrated Report for reporting periods, definitions, scope and limited assurance review.



<p>470 Employees with a fixed-term contract (number)</p>	<p>22 Overall employee turnover rate (%)</p>	<p>42 Average age of all employees</p>	<p>10 Average number of years' service</p>	<p>5.4 Illness rate¹ (%)</p>	<p>53.0 Wage costs per FTE (EUR 1,000)</p>	<p>0.5 Training costs (as a % of wage costs)</p>
2021 411	2021 18	2021 43	2021 11	2021 4.7	2021 50.5	2021 0.3

¹ Please refer to the section 'About the sustainability report' on pages 213-214 of this Annual Integrated Report for reporting periods, definitions, scope and limited assurance review.

We are Kendrion

Our people and culture

At Kendrion, we maintain a culture and environment that empowers everyone to reach their full potential. Focusing on human capital drives our performance and activates alignment with our corporate norms and values. We empower our people to put their ideas into practice and to increase their engagement and performance in a safe and high-quality work environment. The continued development of our employees is necessary to create long-term value for our customers and other stakeholders. We are committed to becoming the industry's employer of choice. To achieve that we maintain a high-performance culture. By fostering an open, positive, and inclusive atmosphere we aim to recruit and retain a talented and diverse workforce that reflects the communities in which we operate. Employee engagement and development are key priorities. We offer a variety of training and development opportunities that enable our employees to grow and advance in their roles.

The Kendrion Way and Code of Conduct

Kendrion's strategy for realizing long-term value creation is symbolically captured in our strategic house that provides direction and uniformity within a clear structure. Creating long-term sustainable value with a lean and focused organization and providing a safe and high-quality work environment for our employees are key to our strategy. The foundation of our strategic house is our culture, since no building is stable without a strong foundation, regardless of the strength of its building blocks. Our culture and its underlying values underpin

all the work we do. Key values exemplifying our culture are portrayed in The Kendrion Way: *'A global team of actuator specialists, with courage to act, curiosity to learn from successes and mistakes, confidence to share, and open to feedback'*. The objective of defining The Kendrion Way is to give our employees clear guidance as to "how we do things" at our company, irrespective of location, level of responsibility or functional role. The Kendrion Way provides a universal approach towards realizing our ambitions and is the foundation on which we build Kendrion's future.

We are committed to maintaining the highest standards of conduct in all our business activities. Our Code of Conduct is intended to further develop and implement our corporate norms and values, in particular 'integrity'. The Code of Conduct sets guidance for our business decisions. It provides principles of ethical business behavior and is an essential part of our culture. The Code of Conduct contains obvious and universal standards and expected behaviors for all employees and helps to create a safe and respectful environment for everyone. We are dedicated to maintaining a positive and inclusive work environment, and do not tolerate any form of discrimination, harassment, or misconduct. We are committed to conducting our business in a transparent and responsible manner and will continue to review and update our Code of Conduct to ensure that our norms and values remain relevant and effective. The Code of Conduct can be found on the corporate website at www.kendrion.com.

Increasing awareness, education, training, and providing concrete examples of expected behaviors, dilemmas and actions are key to promoting and preserving our culture.



The
Kendrion Way

Supported by dedicated value teams, managers are expected to increase awareness and to support their team members in their value journey and to help them understand what each value means for them, their team, and the organization. A mix of interactive trainings and learning platforms is available to help our employees live and breathe the values of The Kendrion Way and the Code of Conduct.

Talent attraction, employee engagement, and succession management

A diverse, talented, and ambitious workforce is key to the successful execution of our strategy.

Talent attraction

The market for talent is increasingly competitive. We consistently invest in talent attraction and employer brand strategies to recruit new talent. We have implemented a comprehensive recruitment strategy that includes targeted advertising, networking events, and partnerships with technical universities and institutions of higher technical education. In our

recruitment strategy we take a global approach. Digital innovation contributed to our running of several targeted marketing campaigns on social media platforms. Our global approach and marketing campaigns enabled us to reach wider pools of talent. Our recruitment team has also created a positive candidate experience with a positive response. Our career website enables candidates to find information about vacancies across the globe and the countries in which we operate.

Attracting and selecting early career professionals is particularly important. In addition to maintaining good relations with technical universities and institutions of higher technical education, our offices are located at attractive and inspiring locations such as the High Tech Campus in Eindhoven, the Netherlands, or the renowned Suzhou Industrial Park (SIP) in China. Furthermore, we provide employee development opportunities, an international exchange program, flexible work arrangements, and a strong company culture. These efforts have contributed to a reduction in turnover and an increase in employee satisfaction.

In a historically male dominated industry, we strive to attract talented females, including early career professionals through our renowned apprenticeship and trainee program. We have established an informal partnership with the Hochschule Furtwangen University (HFU) in Germany and provide guest lectures about managing diversity within Kendrion as part of the

In addition to remote and hybrid working models, we continue to provide a safe space to collaborate and exchange expertise in our offices.

module Intercultural Management offered by the HFU. Through our active engagement with students and exchange of experiences and views, we seek to encourage and inspire students to pursue a STEM (Science, Technology, Engineering and Math) career path, and thereby contribute to our ambition to attract talent to our industry.

Employee engagement

Being recognized as a safe, inspiring, and high-quality place to work requires active engagement with our employees and following-up on employee insights. This is becoming ever more important in a market where it is challenging to attract talent, more specifically specialists in areas such as software and electronics, and where the ways of working have changed over the past years. Understanding the expectations of our employees in a changing work environment is key as it impacts the way in which we execute our strategy and engage with our customers, suppliers, and other business relations. We support flexibility, enabling workstyles that contribute to the performance and job satisfaction of our employees. In addition to remote and hybrid working models, we continue to provide a safe space to collaborate and exchange expertise in our offices. A healthy balance between flexible workstyles and availability and accessibility of safe workplaces around the Kendrion globe are important for the wellbeing of our employees. We feel that we have found that balance.

We offer our employees the opportunity to work on exciting tasks and innovative projects. Another essential component of Kendrion's efforts to maintain an engaged and committed workforce is the availability of a wide range of measures and tools aimed at nurturing a healthy, safe, and sustainable workplace culture, including annual 'Health Days', medical check-ups, sports opportunities, and other events. A healthy work-life balance is also important to create and maintain employee satisfaction and engagement. We enable employees



to balance their personal lives with Kendrion's dynamic and performance-driven work environment.

Where the COVID pandemic dominated these past few years, 2022 has been marked by geopolitical instabilities that have had an enormous impact on the global economic environment. A pandemic and a geopolitical situation that remains difficult and unpredictable, paying sufficient attention to our employees' mental health has become increasingly important. Some of our locations offer employees a consultation with a psychologist at their request. Increasing mental health awareness and showing respect and acceptance contributes to removing potential barriers for employees to seek help when struggling with mental health issues.

The opportunity to give and receive feedback is imperative for maintaining an engaged and committed workforce. This is why we conduct a Kendrion-wide employee satisfaction and culture survey at regular intervals. Our 2022 employee survey revealed – among other things – that our employees feel a strong connection with Kendrion as employer and that they feel valued and appreciated. More specifically, recognition and opportunities for growth and development received positive satisfaction levels. Moreover, the employee survey confirmed the capacity and willingness of our employees to thrive in a period of change and to go the extra mile to contribute to the success of Kendrion. Immediate managers are one of the key contributors towards a positive employee experience. At the same time, employees expect more support and communication around changes affecting the organization or their work.

We are committed to prioritizing employee engagement and are confident that this will lead to increased productivity, job satisfaction, and overall success in the execution of our strategy.

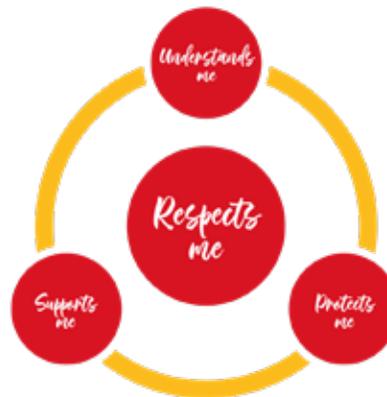
The Circle of Trust

Workplace well-being is an important part of our culture as it relates to all aspects of our employees' working life at Kendrion. Promoting cohesion, within a professional community where all employees feel welcome and respected, regardless of their background or position, enables engagement, innovation, and performance. We have made a concerted effort to prioritize the well-being of our employees through a variety of initiatives.



Circle of Trust

A network of safety and well-being for female employees



Realizing social change for female employees in society, particularly in the workforce, is a topical theme. Overall, social change for female employees is a multifaceted topic that requires consistent effort not only from employers but also from their employees. To build on our employee wellbeing program we introduced The Circle of Trust that gives female employees

of Kendrion access to a trusted and confidential support line backed by honorable and brave female colleagues. The key objective of The Circle of Trust is to contribute to a safe and ethical working environment and to encourage female empowerment and well-being. By listening and engaging with female employees through a trusted and confidential support line, we provide a sense of community for female employees and further social progress for female employees.

The Kendrion Way, our Code of Conduct and Speak-Up procedure outline our company values and commitments and how to report concerns. An official record of our norms and values, and a confidential reporting procedure through our Speak-Up line remain critical. With The Circle of Trust we have created an additional space where female employees feel comfortable talking about their experiences and concerns with like-minded women, and where structural solutions to realize social change for female employees can be initiated. We are confident that The Circle of Trust will advance social change for female employees within our organization.

Enabling career development

By constantly investing in the career development of our employees we support them to grow and advance in their roles, and at the same time increase our employee satisfaction and retention. Investing in our employees is essential to create long-term value, and we provide our employees with the tools, resources, and opportunities to achieve their career goals.

We have implemented a variety of initiatives to enable career development within Kendrion and offer a broad spectrum of learning and development tools and opportunities. Fostering a culture of trust and recognition as reflected in The Kendrion Way and our Code of Conduct is an important contributor. Our 'Learn and Share' The Kendrion Way team is responsible for several learning and development programs directed at the advancement of relevant skill sets and leadership capabilities. One of the learning and development tools we use is the e-learning platform Goodhabit. Goodhabit offers employees a wide variety of courses on topics from personal strength to inspirational leadership, health, and well-being.

We focus on maintaining a culture where our employees feel supported and empowered to take ownership of their own career development. The role and responsibility of senior management is key to creating and maintaining an inspiring learning environment that stimulates innovation and development. Leadership and personal development will always be themes of importance. Developing personal leadership, building internal knowledge networks, and encouraging innovation and agility are important values in our management programs and development initiatives.

We respect the principle of equal opportunities for career development, regardless of background, nationality, ethnicity, religion, age or gender. To maximize the potential of our employees and to meet their development needs, we support

the principle of internal mobility and aim to fill vacancies with qualified internal candidates. Internal moves are considered beneficial to the development of our people - providing them with new and challenging opportunities and experiences, while retaining knowledge within the organization. Moreover, our culture in which sharing of ideas, knowledge and expertise and training on the job are encouraged, contributes positively to the development of our employees.

We encourage internal promotion and the advancement of young talent to management roles in our business. The Kendrion High Potential program is our global learning and development program that provides our young talents with the potential for management roles access to various modules of learning such as Finance, Conflict management and Teamwork. The High Potential program offers development opportunities that are aligned with business and individual needs including strengthening personal competencies. Additional modules are added as deemed appropriate, e.g., sustainability, diversity and inclusion, strategy, and conceptual skills. In 2022 a new group of talented and ambitious employees enrolled in the next edition of the three-year High Potential program.

Our efforts have resulted in an engaged and motivated workforce. We are proud of our culture; employees are assessed and valued on their merits and have the confidence to take on new roles and responsibilities within the company that meet their expectations, talent, and ambitions. We are committed to continuing our efforts to ensure that our employees receive the tools and resources they need to reach their full potential.

Succession management

To ensure continued growth and success for Kendrion we have implemented a comprehensive succession management plan. This plan includes identifying successors for critical positions

and monitoring their development to ensure that they are ready for a leadership role at the right time in the future.

Training and development programs are also designed to prepare our talented employees to take on leadership roles in the future. As part of our Kendrion High Potential program, we have implemented a mentoring program to provide guidance and support for our high-potential employees. These efforts help us create and maintain a healthy pipeline of upcoming leaders within our organization.

Our talent management and succession-planning tool identifies and facilitates the monitoring and review of our employees. More specifically, the tool enables a structured development of our employees, including our current and future leaders who have the talent and potential to take on a new role in the future. The tool also helps us conduct performance reviews consistently by providing clear and structured insights into employee development. Our tool includes a competency framework that defines how we expect our employees to fulfil the tasks and responsibilities in line with their job role. Together with the skills required for a certain job role, the competency framework forms the basis of our performance reviews and determines the requirements for future positions. The competency framework is updated as appropriate to increase effectiveness and improve the performance review process. It helps our managers and employees to better determine career paths and the corresponding training and development needs. With our talent management and succession-planning tool we create an environment for our employees to grow, perform and succeed in their careers.

Compensation and benefits

Kendrion offers compensation and benefits schemes that are in line with industry standards and local practices to attract, select, recruit, and retain talent. Our compensation and benefits

schemes are designed to create transparency and fairness in the structure of both fixed and variable remuneration, while offering a competitive package with appropriate upside potential, linked to performance. Kendrion's compensation schemes include performance-based compensation and share-based compensation for eligible employees. These programs aim to ensure fair and attractive compensation and to encourage employees to work to Kendrion's long-term benefit.



Diversity

Diversity is crucial to create a fair and inclusive society. It promotes equal opportunities and helps break down barriers of prejudice and unconscious bias. Diversity in the workplace increases creativity, innovation and productivity, and contributes to well-informed decision making. Diverse and inclusive organizations become more attractive employers, increasing their ability to attract and retain talent.

Talent, ambition, and commitment are key to realizing our strategy. We provide an environment where all employees have equal opportunity to develop and contribute to the realization of our strategy, regardless of their age, background, gender, nationality, ethnicity, religion or any other (protected) characteristic. Diverse and inclusive teams make our organization more agile, creative and innovative. Enabling a diverse workforce – in terms of gender, nationality, and background (i.e. education, (work) experience), age, etc. – gives us access to a larger talent pool. Having the right mix of people in the right jobs, with the right capabilities, encourages better decision-making and helps us grow our business.

As part of the Social Capital and Human Capital value creation pillar of our global sustainability program, we are committed to creating and maintaining a diverse workforce, where all

employees feel welcome and respected. We drive diversity across the employee lifecycle. The employee lifecycle is used to unravel and address these aspects and the complexity around (gender) diversity, especially for a company like Kendrion where the demand for technical and Science, Technology, Engineering and Mathematics (STEM) skills is high.

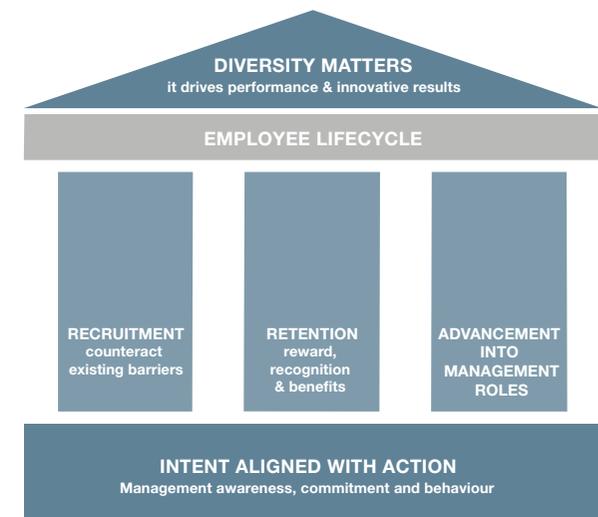
Key priorities of our strategic diversity framework include:

- **Recruitment of diverse employees** – Ensure that our recruitment process is free of bias, and clearly signals our interest in a diverse group of candidates; support applications from a diverse group of candidates; and underline these expectations to our recruitment teams;
- **Developing and maintaining a solid pipeline of a diverse group of talent;**
- **Retention and promotion of talents of diverse backgrounds, nationalities, gender etc.** – covering various aspects, from reward, recognition or benefits to work allocation, performance management or career development;
- **Advancement into management roles** – preserving an environment that allows for a diverse group of talents to grow into management roles, technical roles, and other leadership roles.

While our focus remains on a broad definition of diversity, our strategic approach is directed at the improvement of gender balance specifically in management roles, technical roles, and other leadership position. Through building engagement around gender equality amongst managers and other (senior) employees, developing concrete actions and initiatives and providing insight into possible barriers, we aim to increase gender diversity across the organization until it is sustainably gender balanced. Moreover, consistent communication and promotion of gender diversity, as well as prioritizing diversity in our strategy are essential to advancing diversity within our organization.

Following the completion in 2021 of a global and comprehensive gender diversity data analysis across our Business Groups, we developed specific numerical gender diversity targets that will be part of our sustainability program beyond 2023. The identified gender diversity targets will involve an improvement requirement of female FTE within our Business Groups of 25% combined with a minimum threshold requirement of 33%, to be achieved over multiple years. Further qualifications and conditions relevant to the introduction of these numerical gender diversity targets will be part of our new 5-year sustainability program that we anticipate launching in 2024 for the period 2024 – 2028.

The introduction of certain changes to our recruitment process, the recruitment from diverse candidate pools, the provision of unconscious bias training sessions and the establishment of a so-called employee resource group such as The Circle of Trust, are among the actions that we initiated to promote diversity and



increase the representation of female employees in our Business Groups and our Leadership Team. Giving consistent attention to challenges that female employees may face has helped us improve the overall workplace culture.

Kendrion is a signatory of the German *Charta der Vielfalt* (Diversity Charter). The *Charta der Vielfalt* promotes the recognition, appreciation, and integration of diversity in business culture, and is supported by the German Commissioner of the Federal Government for Migration, Refugees and Integration.

Kendrion's workforce comprises 47 nationalities (2021: 39) employed in 9 countries (2021: 10); and 47% of our workforce is female (2021: 48%). We have a healthy balance of backgrounds, nationalities, and gender across the organization as a whole.

While we are proud of the progress we have made, we recognize that there is still work to be done. We are committed to continue to promote diversity and inclusion within Kendrion and will be implementing additional initiatives to further our efforts.

Fair labor practices and human rights

Respecting human rights is fundamental to a sustainable society and an essential component of promoting sustainable business practices across our organization and in our dealings with our customers, suppliers, and other business partners. Kendrion acknowledges and endorses the human rights of all people as described in the Ten Principles of the United Nations Global Compact. We acknowledge and respect children's rights to education and development and the applicable minimum employment age and related conditions consistent with

applicable statutory requirements. Kendrion does not tolerate any form of forced or involuntary labor. We strive to apply the UN Guiding Principles on Business and Human Rights. Our commitment to endorse fair labor practices and to respect human rights is recorded in our Fair Labor and Human Rights Policy. Our Fair Labor and Human Rights Policy contains global standards and principles that are applicable across all Kendrion business operations. No material human rights or labor issues were raised in relation to our activities in 2022.

We expect our suppliers to recognize human rights and to ensure that they are not involved in human rights violation or abuses. Our suppliers are required to confirm and acknowledge their compliance with the standards and principles of sustainable sourcing – which include the recognition of human rights – by signing the Kendrion Code of Conduct for Suppliers. The Kendrion Code of Conduct for Suppliers can be found on the corporate website at www.kendrion.com.

Employee representation

Fair labor practices and human rights are essential for ensuring that our employees are treated respectfully. This includes the offering of fair wages and a safe working environment and protecting our employees from discrimination and harassment.

It also means providing our employees with the right to form unions and engage in collective bargaining. Kendrion respects freedom of association and the right to collective bargaining. Works councils and employee representatives have been appointed at Kendrion's largest operating companies in Germany as well as Kendrion's operating companies in the Netherlands, Romania and Austria. The respective works councils and employee representatives are involved in a wide range of employment, health & safety and social issues, in accordance with local labor legislation. Through regular meetings and consistent communication, our employees are given the opportunity to raise questions and provide valuable input. We believe that this constructive interaction with our works councils and employee representatives leads to a more engaged and satisfied workforce, and improved productivity and morale. We are appreciative of our dedicated works councils and employee representatives who put considerable effort into ensuring that the needs and questions of our employees are voiced and addressed.

Approximately 67.4% (2021: 72.4%) of all Kendrion employees are represented by these works councils and employee representatives. Approximately 62.4% (2021: 66.9%) of the employment contracts in Germany are governed by or follow the collective bargaining agreements for the metal industry.

Fair labor practices and human rights are essential for ensuring that our employees are treated respectfully.

Accelerating energy transition

At the beginning of 2022, no one could have guessed just how tough the economic and political circumstances would become. The initial optimism that worldwide vaccination programs would enable a more normal business environment proved to be premature. The Russian invasion of Ukraine on 24 February triggered an energy crisis in Europe, high inflation rates and broad supply chain and demand volatility across the globe.

Against this backdrop, Kendrion navigated the unpredictable market conditions well with good results. Kendrion develops and manufactures actuator products that help advance the global push towards electrification and clean energy. Our balanced, diverse product portfolio supports this transition, without being overly dependent on any specific vertical or market segment. Our products include brakes for wind power, robotics, automated warehouses, sound actuators, suspension and sensor cleaning products for electrical vehicles; and inductive heating technology that supports the switch from oil and gas to electrical solutions in industrial applications. In all our Business Groups, and in China, the broad push towards electrification has determined our product development decisions over the past couple of years and will continue to do so.

This focus on energy transition is a key factor in our M&A decisions. The acquisition of INTORQ in 2020 has substantially strengthened our position in the industrial brakes market. As our industrial brakes are sold in tandem with an electromotor, the accelerating energy transition towards electrification provides us with considerable opportunities in a flourishing

market. In 2021 and 2022 this has resulted in substantial growth of our Industrial Brakes business.

The acquisition of Dutch electronics and embedded systems developer 3T in September 2021 offers significant growth potential for our Industrial business. 3T's expertise perfectly complements the control technology activities of our Industrial Actuators and Controls (IAC) Business Group. It also strengthens our software and electronics development capabilities, which will benefit our Automotive Group, and specifically the newly created Automotive 'E' organization, where software and electronics form a substantial part of our products for sound actuation and sensor cleaning.

We are well positioned to continue the growth shown in 2021 and 2022. To accommodate anticipated growth in China, we have almost completed the construction of a 28,000 m²

manufacturing facility at Suzhou's Industrial Park, a premier location for technology and advanced manufacturing companies. We expect to move Kendrion's operations in Suzhou and Shanghai into the new building in the first half of 2023. We have also made significant progress upgrading our IT infrastructure and continued to build our culture of global, seamless cooperation: 'The Kendrion Way'.

As we enter 2023, in Industrial Brakes, we expect to benefit from the global push towards electrification, driving demand for our products in wind power, robotics & automation, forklift trucks, AGVs and more. We have leading positions in all these segments and expect to benefit from strong and long-lasting underlying growth trends. In China, our new manufacturing facility will accommodate our large and growing project pipeline. IAC will continue to focus on strong cash generation and on investing in a growing list of opportunities in segments

We have leading positions in segments like wind power, robotics & automation, forklift trucks, AGVs and more and expect to benefit from strong and long-lasting underlying growth trends.

like inductive heating for industrial processes, energy distribution, control technology, nuclear power, and industrial locks.

The broad disruption of the automotive industry continues. To further increase our focus on electrified vehicles, we split our automotive franchise into two distinct organizations: Automotive 'Core' and Automotive 'E', both with full P&L responsibility and with separate KPIs. The proliferation of Autonomous, Connected, Electric, and Shared (ACES) vehicles, in combination with the ongoing push for greater safety and comfort, presents the automotive industry and Kendrion with substantial growth opportunities. Automotive E is fully dedicated to that opportunity. Our innovative product platforms include systems and components for active suspension, Acoustic Vehicle Alerting Systems (AVAS) for electric vehicles, and a turnkey sensor cleaning solution. Automotive Core is responsible for Kendrion's automotive business related to the combustion engine, focusing on operational excellence, lean production, cost efficiency, profitability and cashflow.

The economic outlook for 2023 remains uncertain. As the war in Ukraine continues, many economists predict a recession in both Europe and the US. The economic effect of the sudden reopening of China is unclear. On the one hand, it is expected to trigger a rebound in growth in China that will positively affect the global economy. On the other hand, the resulting increase in demand for energy and raw materials could potentially further increase inflation, compelling US and EU central banks to keep increasing interest rates, with a negative effect.

In short, we expect the unpredictability of our markets in 2023 to remain. However, in view of our revenue and project pipeline growth over 2021 and 2022, and the opportunities in the accelerating global transition towards electrical power, fuel cells and nuclear power, we remain confident about our 2025 goals. We are positive that our strong position in the growth markets of Industrial Brakes, selected segments of IAC, Automotive and China will help deliver our medium-term financial targets of 5% organic growth between 2019 and 2025, an EBITDA of at least 15% in 2025 and a ROI of at least 25% in 2025.

To further increase our focus on electrified vehicles, we split our automotive franchise into two distinct organizations: Automotive 'Core' and Automotive 'E'.

Risk management

Effective risk management

Effective risk management is key to executing Kendrion’s strategy, achieving long-term value for Kendrion’s stakeholders, protecting the company’s reputation and good corporate governance. Kendrion promotes entrepreneurship and empowers management to exercise their discretionary powers as appropriate. Kendrion’s risk management is not intended to eliminate all risks since exposure to risk is unavoidable in doing business. Kendrion actively conveys the need to maintain a healthy balance between entrepreneurial spirit and risk awareness. We adopt an approach to business risks that is consistent with our risk appetite and that minimizes the probability of adverse events and the impact of such events, while remaining competitive in an ever-developing business environment. The Executive Board emphasizes that risk management and control systems can neither offer an absolute guarantee that the company’s objectives will be achieved nor entirely prevent material errors, loss, fraud, or violations of laws or regulations.

Risk management framework

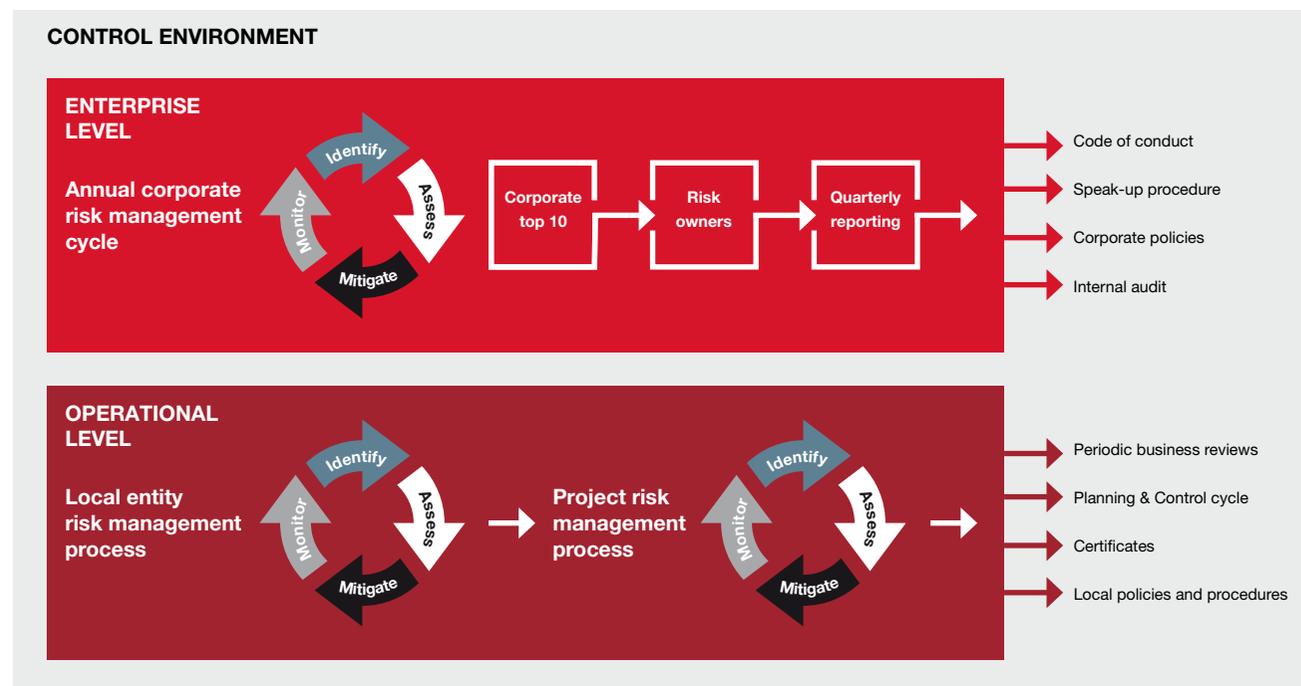
Risk management is fully integrated in Kendrion’s business practices and extends to all areas such as culture, policymaking, processes, duties, influencing conduct and all other aspects of doing business. Kendrion’s approach to risk management is part of its control environment and consists of two main complementary elements: a top-down strategic view of risk at the enterprise level and a bottom-up view of risk at the operational level. The approach to risk management interacts with all relevant elements in the control environment, both on

the enterprise as well as on the operational level. With this consistent approach, Kendrion’s risk management and control framework fosters a culture of risk awareness across the organization by identifying risks in a systematized manner and defining appropriate controls aimed at the mitigation and management of these risks in line with Kendrion’s risk appetite.

The Executive Board is responsible for maintaining a comprehensive risk management and internal control system aligned with the risks associated with Kendrion’s strategy and

activities, and for regularly reviewing and supervising its effectiveness. In addition to maintaining a risk management and internal control system, the Executive Board is responsible for ensuring that such system is embedded in Kendrion’s business practices.

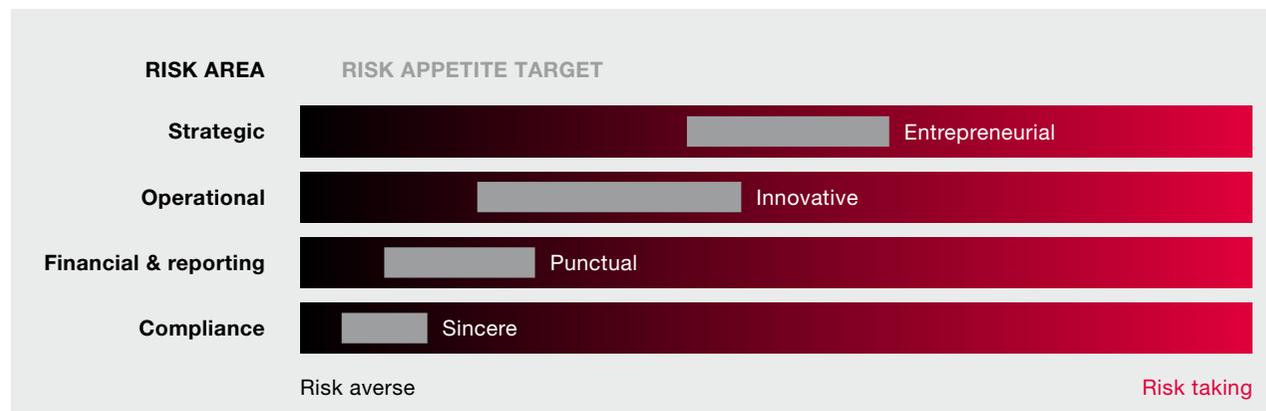
Kendrion’s risk management function, headed by the Internal Audit and Risk Manager, provides guidance and support to the Executive Board. This includes driving risk awareness across the Kendrion organization and leading reviews of operational



processes and effectiveness of the risk management and control system. In 2022, the risk management function has sustained its contribution to the organization through the facilitation of risk management activities and by proactively supporting the identification, evaluation and mitigation of risks.

The Executive Board conducts an annual risk assessment and considers if adjustments to the risk management and internal control system are required, as conditions and market circumstances change. In 2022, the risk assessment was extended with a section specifically focused on fraud risks that are relevant for Kendrion. The result of the annual risk assessment is discussed within Kendrion's Management Team and shared and discussed with the Supervisory Board. To strengthen risk management and oversight, risk owners are assigned to the top-10 risks identified, and each risk owner is responsible for preparing and updating mitigation plans. On a quarterly basis, risk owners report to the Executive Board on mitigation progress and risk development. This report is also shared and discussed with the Audit Committee.

At the operational level, Kendrion's plants hold internationally recognized certifications designed to assess and improve their processes. They have a responsibility to put internal controls and procedures in place and to verify their effectiveness by testing them at regular intervals. Local management is expected to be fully aware of the operational risks and the necessity of internal controls and procedures.



Risk appetite

Kendrion's risk management framework balances risk and opportunity and unambiguously describes the Executive Board's appetite for risk. The Executive Board and the Management Team periodically review and discuss Kendrion's approach to risk management, as Kendrion's risk appetite may change over time reflecting developments in society, geopolitics, the competitive and customer landscape as well as changes within Kendrion.

Kendrion's risk appetite provides an indicative bandwidth that guides the organization during its decision-making process.

This bandwidth is defined for each of the following risk areas; Strategic, Operational, Financial & Financial reporting and (Tax) Compliance. The width of the bandwidth and the position on the risk spectrum (from risk averse to risk taking) differs for each of the risk areas. The above visual shows that Kendrion is risk averse when it comes to compliance risk exposure, whereas the bandwidth for strategic risks is much broader and allows for a higher degree of risk-taking in pursuit of the strategic objectives.

Risk overview

Risk area	Risk name	Risk description
Strategic	Market disruption/decline	Continued long-term recession in the automotive and/or industrial market.
	Unsuccessful long-term strategy or unsuccessful implementation of long-term strategy	The strategy does not deliver the expected results (e.g. growth, profit, market share) or focus on the right products and product portfolio — also based on megatrends — to serve clients in the future, leading to a decline in market share and financial performance.
	Unable to attract and retain qualified personnel	Inability to attract and retain qualified people by being unresponsive to relevant employee satisfaction drivers (e.g. modern, diverse and inclusive working environment, competitive compensation) may lead to increased stress on existing personnel, absence or loss of key knowledge, or capacity issues.
Operational	Sourcing issues and/or purchase price increases	Risk of instability in the supply chain (affecting sourcing of raw materials, services, energy) and/or significant increase of purchase prices could lead to business interruptions and additional costs.
	Uncertainties of (global) socio-economic and political conditions	Inability to respond to volatile socio-economic and political conditions may lead to difficulties in managing business operations (e.g. planning and forecasting) and declined business performance.
	Significant order volume fluctuation/decline or project cancelation	Increase in the volatility of customer orders, with larger deviations in quantities and cancellations of projects altogether.
Financial & reporting	Cost increases or efficiency losses are not transferred to the customer	Cost increases for raw materials, energy or wages or efficiency losses caused by volatile order volumes are not passed on to the customer.
	Customer-related risk	Customer actions (pressure on price) or issues (insolvency) impacting profit margins, asset values (impairment) and/or cash flow.
Compliance	Unfavorable changes in laws & regulations	Unfavorable changes in the applicable laws and regulations (e.g. labor protections, trade barriers, environmental restrictions etc.), may lead to additional costs, less flexibility or loss of revenues.
	Employee health and safety	Inability to manage a healthy working environment (e.g. hygiene protocols) and employee safety may lead to incidents, loss of productivity, demotivation or absence.

In addition to the selected key risks described in the table above, Kendrion distinctively recognizes risks related to climate change, tax compliance, and fraud. Each of the risk areas and the associated key risks will be addressed in more detail.

Strategic risks

Market disruption/decline

Kendrion operates in a competitive market that is exposed to economic changes, geopolitical developments, societal changes as well as industry disruption, including the accelerating transformation from a predominantly hardware-based automobile to a software-centric electronic device on wheels. Market disruption, saturation (e.g., possible Peak Car in EU and USA) or decline, could pressure Kendrion's financial results and the company's ability to achieve its strategic goals.

Kendrion will continue its development efforts to address markets that offer sustainable above average growth, by offering a tailored product portfolio focused on megatrends such as industrial and automotive electrification and automation. This is supported by maintaining a lean and flexible organization that can swiftly adjust to the economic tides and market trends. This flexibility not only relates to working with temporary staff and focusing on the reduction of variable operating expenses, but also includes the ability to communicate up-to-date financial information efficiently to decision-makers throughout the organization, make justifiable

insourcing and outsourcing decisions, adjust supplier contracts, implement performance-dependent employee benefits, work with flexible hour contracts and use opportunities to reduce working hours in specific countries. The composition of the group with about 50% automotive activities and 50% industrial activities reduces Kendrion's exposure to a market disruption or decline in one of these markets.

Unsuccessful strategy or unsuccessful implementation of long-term strategy

In the current volatile environment, there is always the risk that a company's long-term strategy will not deliver the expected results, such as growth, profit, or an increase in market share (within the expected timeframe). This risk can also arise if the long-term strategy is not successfully implemented, for example if the company does not focus on the right products or product portfolio or does not adequately consider megatrends or its clients' needs. If the long-term strategy is not successful or not implemented effectively, it can lead to a decline in market share and financial performance for the company. Kendrion is aware of the importance to plan and execute strategic changes carefully, and to be prepared to adapt to changing circumstances. There is an in-depth annual strategic review process, involving senior management of the company, to assess Kendrion's performance compared to its multi-year strategy. This includes quarterly meetings to review progress of individual business groups on operational targets and strategic projects. In these meetings, any relevant changes in the environment are considered and monitored to ensure timely adjustments of strategic projects or to consider alternative solutions.

Unable to attract and retain qualified personnel

The market for talent is increasingly competitive, especially pertaining to the key skills, expertise, and capabilities we need. Inability to attract and retain qualified employees may lead to

high dependency on existing personnel and loss of knowledge. Kendrion's required know-how is highly specific and often requires on-the-job training. A lack of skilled employees could impede the achievement of Kendrion's strategic objectives.

Kendrion strives to be recognized as a safe, inspiring, and high-quality place to work. Besides offering competitive benefit packages and securing good and safe labor conditions in all locations, Kendrion offers flexible work styles that contribute to the performance and job satisfaction of employees. By investing in succession planning (e.g. through a training program for high potentials), various in-house training programs and apprentice programs, Kendrion intends to encourage ambition and give employees the possibility to work on exciting tasks and innovative projects. Kendrion conducts companywide employee satisfaction and culture surveys at regular intervals enabling people to give and receive feedback. So that Kendrion can attract early career professionals it maintains good relations with technical universities and institutions of higher technical education. In addition, Kendrion makes sure that offices are located at attractive and inspiring locations.

Operational risks

Sourcing issues and/or purchase price increases

Kendrion is dependent on a continuous supply of (raw) materials for its plants to operate and to be able to meet customer demands and expectations. The supply chain of (raw) materials can be disrupted in many ways, from issues during transport, to a bankrupt supplier, or scarcity of certain materials. Suppliers can also be faced with increased demand for their products or increasing raw material prices, resulting in increases in purchase prices for Kendrion's raw materials.

Kendrion actively endeavors to increase the number of alternative sources for its most important (raw) materials, while always making sure that (raw) materials are purchased from reputable suppliers. Quantities are generally secured via advance capacity confirmations and regular financial quick checks are performed to assess the solvency of suppliers. Suppliers that are critical to Kendrion's supply chain have been identified and are actively monitored to secure continuity of the supply chain. Kendrion predominantly uses local supply chains for local production and revenue, and when certain materials have a single supplier, contingency measures are discussed (e.g. insourcing when possible, active periodic monitoring of critical suppliers) to ensure the exposure is within Kendrion's risk appetite and swift action is possible when required. In case disruptions in the supply chain do occur, the customers affected by this disruption will be informed immediately and solutions will be discussed.

Uncertainties of (global) socio-economic and political conditions

Uncertain economic and political conditions could be detrimental to Kendrion's financial results and the company's ability to achieve its strategic goals. Volatile economic and political conditions may lead to difficulties in managing business operations (e.g. planning and forecasting) and declined business performance.

Kendrion ensures a healthy level of flexibility by working with a layer of temporary staff and focusing on the reduction of variable operating expenses as soon as a situation so requires. This also includes the ability to communicate up-to-date financial information efficiently to decision-makers throughout the organization, make justifiable insourcing and outsourcing decisions, adjust supplier contracts, implement performance-dependent employee benefits, work with flexible hour contracts and reduce working hours in specific countries.

Significant order volume fluctuation/decline or project cancelation

External events such as a pandemic, an economic downturn, supply chain disruptions or changes in regulations or preferences, including the sustainability transformation, can cause certain customers to experience a structural decline in the demand for their products. This could cause a similar decline in their order volumes or even the cancellation of projects altogether. Also, persisting shortages in the supply of raw materials to our customers may increase the risk for customer orders to be adjusted due to lack of certain components, resulting in ad-hoc and unpredictable adjustments to order levels. In turn, this could result in significant and short-term fluctuations in demand, requiring short-term plant capacity adjustments, and consequently, additional costs for underused plant capacity or an increase in production backlog due to insufficient production capacity. Order volatility could also result in increased inventory levels either because orders are cancelled, or to ensure that increased demand can be fulfilled.

Kendrion focuses on strengthening relationships with customers and engages constructively with them to actively monitor developments and changes to order volumes and timing where possible. Kendrion undertakes to negotiate contractual terms that ensure that sales prices per product increase when volumes are reduced, and that investments (e.g., development, tools, and equipment) are reimbursed if contracts are cancelled or predicted volumes are not achieved. However, this will not be sufficient to offset all the expenses incurred or compensate for revenue loss. Demand levels are closely monitored to timely detect overcapacity and production capacity and purchase volumes are adjusted accordingly to mitigate the impact on profit and working capital. Kendrion continuously adapts its production and supply chain planning to movements in day-to-day orders, and the roll-out of

predictive planning tools have enabled an increased flexibility in production while maintaining a high level of efficiency.

Financial & reporting risks

As a globally operating, publicly listed company, Kendrion must comply with financial reporting requirements. Material misstatements in reporting could affect Kendrion's reputation and/or stock market value. Kendrion reports to the market on a quarterly basis, and reports financial figures based on IFRS standards. With the risk appetite for this risk area being on the adverse side of the spectrum, Kendrion has several controls in place that help to contain risk exposure within acceptable boundaries.

It is critical that all operating entities report to the same standards and deliver the same quality of reporting, in line with applicable accounting and reporting principles. There are local planning and control cycles that provide financial and non-financial information to the group based on standardized reporting formats on a weekly, monthly, or annual basis, based on a group reporting manual (last updated in 2022).

To protect the integrity and accuracy of reported information without having to rely on manual controls, it is important that effective general IT controls are in place, such as proper segregation of duties, access control for important systems, and source data protection through proportionate change control procedures for all accounting and reporting systems and their key infrastructure. Where Kendrion would mitigate sub-optimal general IT controls in previous years by performing additional manual controls, in recent years these manual controls have gradually shifted to automated IT controls through continuous improvement actions, also based on recommendations by the external auditor over the past years.

Kendrion will continue to improve its general IT controls, with a focus on increased control automation, while balancing available resources against improvement benefits.

On a quarterly basis, all responsible officers provide a letter of representation confirming the correct and complete reporting of financial and non-financial information and the absence of material violations of applicable laws, rules, and regulations, along with internal policies such as the Kendrion Code of Conduct. This also includes continuous monitoring of upcoming changes in accounting and/or reporting standards, laws and regulations, and periodic discussions with responsible finance leaders and senior management within the business units.

Apart from the key financial & reporting risk mentioned above, Kendrion also recognizes financial & reporting risks related to debt financing, credit exposure and interest and exchange rate fluctuations (refer to pages @@-@@ and following of the financial statements for an outline of Kendrion's financial market risks and the policy for mitigating those risks or their impact). Kendrion has proportionate mitigating measures in place for these risks, which are monitored on different levels within the company.

Cost increases or efficiency losses are not transferred to the customer

Kendrion's gross margin can be negatively impacted by increased prices of raw materials, energy and labor, or efficiency losses through low and volatile order volumes, if these effects cannot be transferred to customers in a timely manner.

Kendrion aims to minimize the financial impact of price fluctuations for those materials that are most relevant. The most important (raw) materials for Kendrion are machined steel parts,

raw steel, copper and permanent magnets. Where feasible, Kendrion includes raw material price clauses in its long-term customer contracts that provide for a sales price adjustment when the actual average raw material price over a certain timeframe deviates from a predetermined base price. Short-term agreements generally provide for price surcharges, allowing the sales price to be adjusted based on the prevailing market prices for logistics, raw materials, or energy. When customers reduce their orders below previously agreed levels, additional costs are charged to these customers to offset inefficiencies.

Customer-related risk

Key and other customers that represent a significant part of Kendrion's revenue may demand more favorable terms for their business. This may manifest itself in the form of renegotiations on price or other adverse changes to contractual conditions, such as extended payment terms. This may impact margins and/or cash flow. If customers become insolvent, this could involve writing off outstanding invoices and stock and equipment becoming obsolete, resulting in losses.

Kendrion aims to maintain and protect its contractual position and reject unreasonable changes to existing terms, while valuing and preserving business relations. By consistently delivering qualitative products according to customer expectations against a competitive proposition, Kendrion aims to satisfy its customers while also remaining profitable. Through conducting credit reviews of significant customers, enforcing customer credit limits, and prepayment requirements for new customers, Kendrion aims to limit the exposure to customer insolvency to an acceptable level.

Compliance risks

Kendrion commits to conducting business in accordance with its Code of Conduct and the values underlying the Code of Conduct, applicable laws, and regulations, including employment laws, data protection laws and regulations, accounting standards, tax laws, health and safety regulations, as well as governance and statutory filing requirements, applicable in the countries in which it operates. Senior management is responsible for raising awareness of, and applying, applicable laws and regulations.

Global and local policies are developed and maintained to support compliance. Kendrion's global policies include a range of procedures and policies that must be applied when conducting business, including a Code of Conduct, Insider Trading Code, Speak-up procedure, etc. Kendrion's Code of Conduct builds on the values of The Kendrion Way, an inspiring motto at the heart of the Kendrion organization. The Code of Conduct provides a set of principles and expectations that guide the behavior of everyone within Kendrion. Guidance and training are provided to Kendrion employees to help them recognize compliance dilemmas and raise actual or suspected misconduct or irregularities following Kendrion's Speak-up procedure.

For more information about The Kendrion Way see pages 64-65 of this Annual Integrated Report.

Compliance with Kendrion's internal policies and procedures, as well as local laws and regulations is also reviewed by Kendrion's internal audit function. The Global Internal Audit and Risk Manager is responsible for the design and execution of the annual audit plan to assess the adequacy of Kendrion's internal control systems. The Global Internal Audit and Risk Manager reports to the Executive Board with direct and independent

access to the Audit Committee and external auditor. Audit results are reported to the Executive Board and the essence of the results are reported to, and discussed with, the Audit Committee and external auditors on a regular basis. The results of the audits conducted in 2022 were discussed with local management and any control deficiencies have been addressed.

Unfavorable changes in laws & regulations

Kendrion operates in various jurisdictions and is committed to complying with all applicable laws, rules and regulations. Unfavorable changes in applicable laws and regulations (e.g. labor protections, trade barriers, environmental restrictions etc.), may lead to additional costs, less flexibility or revenue loss.

Kendrion proactively monitors developments in the legal and regulatory landscape through newsletters, seminars, and appropriate software and tools (e.g. sanction monitoring, contract management etc.). Through regular meetings, workshops, and (online) trainings, responsible employees are informed about the latest (changes in) laws and regulations, to enable them to identify and successfully respond to risks in their own context. Kendrion is also able to engage external specialists to ensure appropriate treatment of risks that extend beyond the scope of the responsible employees.

Employee health and safety

For Kendrion, the health and safety of its employees is paramount. Inability to manage a healthy working environment (e.g. hygiene protocols) and ensure employee safety may lead to incidents such as the spread of illness or injury. If employees do not feel welcome and safe in the workplace, it can lead to demotivation, lower morale, or absence, resulting in loss of or decrease in productivity and an increase in employee turnover.

Kendrion promotes health and safety standards for all its employees through all available communication channels (e.g. billboards, intranet, newsletters, etc.). Personal health is encouraged via several local initiatives (e.g. sports, fruit baskets, health days) and cooperation with clinics provide support with mental health issues. Managers are trained to identify health issues, and first responders' training is available to employees interested in learning how to perform first aid. Employee absence is monitored on a monthly basis as an indicator of employee health development. By doing so on a monthly basis, Kendrion is able to adapt to changing circumstances and implement additional measures when appropriate.

Tax compliance risks

In line with the overall risk averse appetite for compliance risks, Kendrion also specifically reiterates this risk averse appetite for tax compliance and associated risks. Tax risks originate from local tax rules and regulations as well as from international regulatory frameworks. Tax risks include transfer pricing risks on intercompany cross-border deliveries of goods and services, tax risks related to acquisitions and divestments, tax losses, taxes carried forward, permanent establishments and potential changes in tax law. This may result in financial impacts in the form of increased tax expenses and payments, tax adjustments, accrued interest, fines, litigation against Kendrion's management, and damaging Kendrion's reputation with the (local) authorities and its stakeholders.

The Group Finance & Control department is in charge of establishing and overseeing group wide tax policies. Potential risks are periodically monitored and assessed based on the likelihood of occurrence and its potential impact on local and groupwide financial tax results. For the most important tax jurisdictions periodic meetings are held with external tax

specialists to assess the tax position, tax risks and to the extend applicable, any impact of potential changes in tax laws and legislation. Kendrion actively seeks to reduce tax risks by involving external tax advisors when specialist knowledge is required and (local) authorities when interpretations of tax requirements can have an evident impact.

Climate change

Society, shareholders, and other stakeholders are increasingly aware of environmental challenges and the impact of climate change. They demand sustainable operations, solutions, and products. The socioeconomic impact of climate change and the adoption of new regulations and the enforcement of initiatives to reduce global warming and other impacts of climate change, provide Kendrion with challenges and opportunities related to its existing and future product portfolio. In addition, a higher frequency of extreme weather conditions increases the likelihood of natural disasters, which may, from time to time, disrupt supply chains, production, delivery times and the availability of raw materials. Significant material price increases caused by persistent material shortages and implementation of government actions to mitigate climate change, such as carbon tax, will negatively affect future operating costs.

The product portfolio of Kendrion's Industrial Business Groups is expected to benefit from the global trend towards electrification of industrial processes that decrease the use of fossil fuels and greenhouse gas emissions. The automotive industry is transforming based on four reinforcing trends towards Autonomous, Connected, Electric and Shared (or ACES) mobility, leading to cleaner, safer and more comfortable forms of transportation. To advance these trends, the automotive industry requires new actuator technologies that will replace existing technologies developed for internal combustion

engines of passenger cars and commercial vehicles. Kendrion has been transitioning and will continue to transition its product portfolio towards these new technologies. To the extent the existing Automotive product portfolio relates to combustion engine vehicles, it is expected that the revenue derived from these technologies will gradually decrease over the next 10 to 15 years in line with the phase out of the combustion engine as mandated by various legislative initiatives around the globe. On balance we expect our Automotive revenue to benefit from this transformation.

Kendrion is committed to reducing its contribution to climate change by reducing the carbon footprint of its operations through using renewable energy, decreasing energy consumption, decreasing waste from production and increasing recycling rates of materials. Kendrion is equally committed to continuing to invest in a responsible product portfolio by developing products that help advance our industrial and automotive customers' ambitions and objectives to reduce emissions and climate impact.

Fraud

With its global footprint, Kendrion is exposed to a wide range of fraudulent activities. Given Kendrion's activities as an industrial production company, the most important fraud risks are identified in the supply chain (kickbacks, shop in shop, bribery, false invoices), inventory and asset management (theft, manipulation), administrative processes (fraudulent payments, falsified records) and cyberattacks. Fraud in this context can result in a wide range of losses, ranging from negligible financial loss through petty theft of (office) materials to significant financial losses, damage to the organization's reputation, and a loss of customer trust when legal penalties in strict anti-fraud regimes are involved. Fraud risks are explicitly included in the annual corporate risk assessment as a separate category, to

ensure active monitoring of fraud risk development, and continuously create awareness for fraud risks amongst (senior) management.

Kendrion has measures in place to significantly reduce its exposure to fraud. An important cornerstone of these measures is the restriction of access (both physical and digital) to only those areas that individuals require to perform their day-to-day activities, and segregation of duties (SoD) so that important checks and balances are not combined within the same person. Both the user access and SoD are reviewed on an annual basis and adjusted to be in line with the risk appetite if situations change. A significant number of general IT controls around user access and SoD have been implemented. However, to date, a few deficiencies in the design and effectiveness of the controls do exist. To the extent deficiencies in the IT controls do exist, Kendrion has additional controls in place that also detect and prevent fraud, such as but not limited to variance and margin analysis and comprehensive reviews on key master data changes. At the same time, Kendrion continues to address and improve the design and effectiveness of the IT controls.

On top of the foundation of access management and SoD, Kendrion also implemented an authorization matrix to clearly define the responsibilities and authorization limits for each function within the company. This ensures that the right employees are involved when information is processed or decisions are made with a certain level of (fraud) risk. Every employee within the company is informed about Kendrion's Code of Conduct (CoC) when they join Kendrion, and the CoC specifically addresses the most common forms of fraud and the

expected employee behavior concerning these topics. On an annual basis the CoC (or specific topics thereof) are refreshed for all employees through different forms of communication (e.g. posters, video's, e-learning, workshops, etc.)

In control statement

Based on the approach described above, the Executive Board is of the opinion that, to the best of its knowledge:

- the Report of the Executive Board provides sufficient insights into any failings in the effectiveness of the risk management and internal control systems;
- the risk management and internal control systems provide reasonable assurance that the financial reporting, including tax, does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and the Report of the Executive Board states those material risks and uncertainties that are relevant to the expectation of Kendrion's continuity for the period of twelve months after the date of the Report of the Executive Board.

Properly designed and implemented risk management and internal control systems significantly reduce, but cannot fully eliminate, the possibility of human errors, poor judgement, deliberate circumvention of controls, fraud or infringements of laws, rules or regulations, or the occurrence of unforeseeable circumstances. Another factor considered within risk management is that efforts related to risk management and internal control systems should be balanced against the costs of implementation and maintenance.

Kendrion's governance framework is based on the statutory requirements applicable to public limited liability companies in the Netherlands, including the principles of the Dutch Corporate Governance Code prevailing for the year under review (the 'Code')^{*} and Kendrion's articles of association as lastly amended on 25 June 2020. The core topics of the Code are addressed in the various sections of this Annual Integrated Report. For example, diversity in the Supervisory Board, the Executive Board and the Management Team is addressed in this Corporate Governance Report on pages 82-83. 'The Kendrion Way' is described in the section 'Sustainability' on pages 45-46 and in the section 'People & Culture' on pages 64-65. The articles of association together with ancillary policies such as the Supervisory Board regulations and the Supervisory Board committee regulations provide a framework for the affairs and governance of Kendrion, including a sound and transparent system of checks and balances. For the articles of association, the Supervisory Board regulations, the Supervisory Board committee regulations and additional information about Corporate Governance at Kendrion, please visit the corporate website at www.kendrion.com.

Kendrion N.V.

Kendrion N.V. is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. For details regarding Kendrion N.V.'s share capital, reference is made to the section 'Share and shareholder information' on pages 22-24.

Kendrion N.V., as the ultimate parent company, holds all the shares of Kendrion Finance B.V., a private limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Zeist, the Netherlands.

Kendrion Finance B.V., directly or indirectly, holds the shares in all Kendrion's operating companies. All operating companies are, directly or indirectly, wholly owned subsidiaries. Kendrion N.V. is not subject to the large company structure regime and no works council having jurisdiction over Kendrion N.V. has been established nor is there a statutory requirement to establish such a works council. Reference is made to the section People & Culture on page 69 for information about works councils and employee representation established at certain Kendrion operating companies.

Two-tier governance structure

The Executive Board, consisting of the CEO and the CFO, is entrusted with the management of Kendrion, under supervision of the Supervisory Board. Members of the Executive Board and the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders. The General Meeting of Shareholders can amend the articles of association if and as proposed by the Executive Board, with the prior approval of the Supervisory Board. The decision to amend the articles of association requires an absolute majority of the votes cast at the General Meeting of Shareholders.

Executive Board

The Executive Board is responsible for the management and the continuity of Kendrion and Kendrion's long-term value creation strategy, objectives, results, and policy, including the responsibility for defining strategies and plans conducive to the goal of the Paris Agreement to limit global warming.

The Executive Board is accountable to the Supervisory Board and the General Meeting of Shareholders. Important resolutions of the Executive Board require the approval of the Supervisory Board.

With due regard to the requirement under Kendrion's articles of association that the Executive Board must consist of at least two members, the Supervisory Board determines the number of members of the Executive Board.

The General Meeting of Shareholders appoints the members of the Executive Board upon nomination of the Supervisory Board. In compliance with provision 2.2.1 of the Code, all members of the Executive Board are appointed for a maximum term of four years and may be reappointed for a term of not more than four years at a time. The diversity objectives as described in Kendrion's diversity policy for the Executive Board will be considered when selecting persons for appointment as member of the Executive Board. The diversity policy can be found on the corporate website at www.kendrion.com. Other than upon a proposal of the Supervisory Board, the members of the Executive Board are dismissed by the General Meeting of Shareholders by a resolution adopted by an absolute majority representing at least one-third of the issued share capital.

The members of the Executive Board satisfy the statutory requirements concerning the number of supervisory or non-executive functions that they can have with large enterprises.

The composition of the Executive Board and information about its members is provided on page 25.

^{*} The Code prevailing for the year under review (i.e. as adopted on 8 December 2016) was revised on 20 December 2022. The revised Corporate Governance Code will enter into force on 1 January 2023 and can be found on the website of the Corporate Governance Code Monitoring Committee at www.mccg.nl

A member of the Executive Board does not participate in the deliberation and decision-making process concerning any subject in which a member of the Executive Board has a personal interest that conflicts with the interests of Kendrion.

A member of the Executive Board shall immediately report a conflict of interest to the Chairman of the Supervisory Board. Decisions to enter into transactions in which there are conflicts of interest with a member of the Executive Board require the approval of the Supervisory Board. There were no transactions in which there was a conflict of interest with a member of the Executive Board in 2022. Kendrion does not grant loans or guarantees to Executive Board members.

Management Team

The Management Team consists of the CEO, the CFO, and several executives with clear accountability to deliver on all components of the strategic plan. The Business Group Directors of Automotive E, Automotive Core, Industrial Brakes, Industrial Actuators and Controls, and the Kendrion President Asia are represented on the Management Team. In addition, functional focus areas such as Information Technology, People, Sustainability and Compliance, are covered in the Management Team through Kendrion's CIO, HR Director, and General Counsel.

The Executive Board decides the number of members of the Management Team in consultation with the Supervisory Board. The members of the Management Team who are not Executive Board members are appointed and dismissed by the Executive Board, subject to consultation with the Supervisory Board. The diversity objectives as described in Kendrion's diversity policy for the Management Team will be considered when selecting persons for appointment as member of the Management Team.

The Management Team meets frequently and those members of the Management Team who are not also members of the Executive Board are regularly invited to attend Supervisory Board meetings.

The members of the Executive Board, together with the other members of the Management Team, conducted an annual review of their individual performance and the performance of the Management Team as a collective, including the dynamics of and the relationship among the members of the Management Team and the Executive Board as well as the interaction with the Supervisory Board. Special consideration was given to the 2022 strategic and operational spearheads, including the execution of the existing roadmap aimed at the reduction of Kendrion's energy consumption and CO₂ emissions and the extension of environmentally sustainable activities, the development of an ambitious roadmap conducive to the objective of the Paris Agreement and the establishment of the separate Automotive organizations Core and E each with their distinct KPIs, as well as the related reorganization of the relevant functional departments, particularly the Automotive R&D organization. Other spearheads addressed included Business Group and regional specific themes such as the continued pursuit of business opportunities related to the transition from fossil fuels to cleaner forms of energy such as wind power, robotics and automation for Industrial Brakes, the further integration and harmonization of processes of the embedded software and electronics developer 3T in Industrial Actuators and Controls, and the continued scaling of the China organization, with specific emphasis on the localization of the supply chain and R&D function. In addition to reviewing past performance, the Management Team considered the 2023 strategic and operational spearheads. Outside the presence of the other members of the Management Team, the Executive Board evaluates the functioning of the Management Team and its members and discusses the conclusions that must be

attached to the evaluation, also in view of succession planning and the composition of the Management Team taken as a whole. The Supervisory Board considers the functioning of the Management Team and its members, taking account of the feedback and recommendations of the Executive Board.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board on the performance of its tasks and duties and supervises the overall development and performance of Kendrion. In discharging its role, the Supervisory Board is guided by the interests of Kendrion and its stakeholders and focuses on – among other things – the effectiveness of Kendrion's risk management and internal control systems and the integrity and quality of the financial reporting.

The Supervisory Board is composed in such a way that its members can operate critically and independently of each other, the Executive Board, the Management Team, and any other particular interests. Each of the Supervisory Board members has the necessary expertise, experience, and background to perform his or her tasks and duties and its composition is consistent with the 'Profile outline' for the Supervisory Board and the diversity objectives described in Kendrion's diversity policy for the Supervisory Board. Both the 'Profile outline' and the diversity policy for the Supervisory Board can be found on the corporate website at www.kendrion.com.

The Supervisory Board consists of four members. All members of the Supervisory Board are independent within the meaning of the Code. The members of the Supervisory Board satisfy the statutory requirements concerning the number of supervisory or non-executive functions that they can have with large enterprises. The composition of the Supervisory Board is consistent with the statutory requirements pursuant to the Dutch Gender Balance Act which took effect on 1 January 2022.

The General Meeting of Shareholders appoints the members of the Supervisory Board on the recommendation of the Supervisory Board for a period of four years. The Supervisory Board elects a Chairman from amongst its members.

The Chairman chairs the meetings of the Supervisory Board and ensures the proper functioning of the Supervisory Board and its committees. The Chairman of the Supervisory Board also ensures that the Supervisory Board has proper contact with the Executive Board, the Management Team, and the General Meeting of Shareholders. Furthermore, the Chairman of the Supervisory Board maintains regular contact with the CEO concerning matters relating to the responsibilities of the Supervisory Board. Similarly, the Chair of the Audit Committee maintains regular contact with the CFO concerning matters relating to the responsibilities of the Audit Committee.

The members of the Supervisory Board step down by rotation pursuant to a schedule adopted by the Supervisory Board. Members of the Supervisory Board whose term of office expires can be reappointed. For any reappointment account is taken of the manner in which the person concerned performed his or her duties as a member of the Supervisory Board, the diversity objectives as described in Kendrion's diversity policy for the Supervisory Board, and best practice provision 2.2.2 of the

Code regarding appointment and reappointment periods. Each member of the Supervisory Board can be dismissed by the General Meeting of Shareholders.

New members of the Supervisory Board follow an introduction program to get sufficiently acquainted with Kendrion, its business activities as well as relevant internal procedures and processes necessary for the discharge of their duties as members of the Supervisory Board.

Regular meetings of the Supervisory Board are usually attended by the Executive Board and at regular intervals by members of the Management Team. In addition, the Supervisory Board regularly holds meetings without the Executive Board members present. The Company Secretary supports the Supervisory Board. The Company Secretary ensures that correct procedures are followed and that the statutory obligations and obligations under the articles of association are complied with. Furthermore, the Company Secretary facilitates the provision of information between the Executive Board and the Supervisory Board and supports the Chairman of the Supervisory Board in the organization of the affairs of the Supervisory Board.

The Supervisory Board has established two committees: the Audit Committee and the HR Committee (combining remuneration committee and selection and appointment committee). The committees of the Supervisory Board are responsible for preparing the decision-making of the Supervisory Board. The tasks and procedures of the committees of the Supervisory Board are set out in their regulations, which can be found on the corporate website at www.kendrion.com. The composition of the Supervisory Board, its committees and information about the Supervisory Board members is provided on pages 86-87 of this Annual Integrated Report.

The Supervisory Board annually evaluates its own functioning, the functioning of the Supervisory Board committees, and that of the individual Supervisory Board members. The outcome of the evaluation is discussed among the members of the Supervisory Board and the Chairman subsequently informs the Executive Board as appropriate. For further information regarding the annual evaluation of the Supervisory Board, reference is made to the Report of the Supervisory Board on pages 91-92 of this Annual Integrated Report.

The members of the Supervisory Board do not receive any shares and rights to acquire shares in Kendrion as remuneration. The Supervisory Board members do not hold any shares in Kendrion, except for the Chairman of the Supervisory Board who holds 7,300 shares. Kendrion does not grant loans or guarantees to Supervisory Board members. Pursuant to the Supervisory Board regulations, a member of the Supervisory Board may not participate in the deliberation and decision-making process concerning any subject in which a member of the Supervisory Board has a personal interest that conflicts with the interests of Kendrion. There were no transactions in which there was a conflict of interest with a member of the Supervisory Board in 2022.

Diversity within the Executive Board, Management Team, and Supervisory Board

Kendrion values a diverse workforce both across the Kendrion organization as a whole and at the level of the Executive Board, the Management Team, and the Supervisory Board. Under the value creation pillar 'Social and Human Capital' that forms part of Kendrion's sustainability program, the further advancement of diversity across the organization is a priority. Based on the strategic diversity framework that was developed in 2021,

ambitious diversity targets have been developed for each of Kendrion's Business Groups. The outlines of Kendrion's strategic diversity framework and related targets for Kendrion's Business Groups are described in the section 'People & Culture' on pages 68-69.

A diverse range of competences and skills and a variety of backgrounds within the Executive Board, the Management Team and the Supervisory Board contribute to effective decision-making and consequently long-term value creation. Kendrion considers diversity aspects of gender, nationality, and background (education, (work) experience) most relevant for Kendrion and its business. Based on the diversity aspects considered, Kendrion is also committed to progressing diversity in the Executive Board, the Management Team and the Supervisory Board.

Pursuant to Kendrion's diversity policy for the Supervisory Board, at least 30% of the Supervisory Board shall consist of women, and at least 30% shall consist of men. The Supervisory Board consists of two female members and two male members, and with this the current composition is in line with the 30% gender diversity target.

Consistent with the statutory requirements that were introduced in January 2022, gender diversity targets for the Executive Board and the Management Team have been identified. Kendrion is dedicated to changing the composition of the Executive Board and Management Team such that over time at least 30% of the Executive Board, respectively, the Management Team, shall consist of women, and at least 30% shall consist of men. There were no recent additions to the Executive Board or the Management Team. The Executive Board currently consists of two men and the Management

Team* consists of 25% women and 75% men, thereby the identified gender diversity targets for the Executive Board and the Management Board have not yet been reached.

Kendrion is globally active and has therefore also determined targets in terms of nationality. The diversity policy determines that in the Management Team at least two regions where Kendrion is active shall be represented. Kendrion meets this nationality diversity objective for the Management Team. For the Supervisory Board and the Executive Board, maintaining appropriate nationality diversity is the objective. In the Supervisory Board one member has the German nationality, i.e. the jurisdiction where Kendrion maintains an important part of its operations.

Moreover, Kendrion's diversity policy includes a background diversity objective. Pursuant to the abovementioned policy, at least one member of the Executive Board and at least three members of the Management Team shall have experience in international industrial or automotive business or an industry adjacent thereto. For the background diversity objective for the Supervisory Board reference is made to the Supervisory Board 'Profile outline' that is published on Kendrion's corporate website. The composition of the Executive Board, the Management Team and the Supervisory Board meet the respective background diversity objectives.

The composition of the Supervisory Board is diverse, experienced, and knowledgeable and reflects a balanced participation of two female members and two male members. The Executive Board comprises qualified, knowledgeable, and experienced members. The Management Team comprises a healthy mix of skills, nationalities, ages, backgrounds, and other relevant factors.

The diversity objectives as described in Kendrion's diversity policy will be explicitly considered – in addition to functional requirements, quality, expertise, and experience – when selecting persons for (re)appointment as member of the Supervisory Board and Executive Board and filling vacancies within the Management Team, respectively. If external recruitment consultants are engaged, Kendrion provides search instructions in line with the diversity principles underlying the diversity policy. Kendrion's diversity policy can be found on the corporate website at www.kendrion.com.

General Meeting of Shareholders

At least once a year, Kendrion convenes a shareholder meeting. Meetings are convened by the Executive Board and/or Supervisory Board. Meetings can also be convened at the request of shareholders jointly representing at least 10% of Kendrion's issued share capital if authorized by the competent Dutch court. Shareholders who hold at least 3% of the issued share capital have the right to propose an item for inclusion on the agenda. Kendrion will in principle include the item on the agenda if it has received the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing, at least 60 days prior to the meeting date. Each shareholder is entitled to attend shareholder meetings in person or be represented by written proxy and exercise voting rights in accordance with the provisions of the articles of association.

Each outstanding share entitles the holder to one vote. Resolutions are adopted by absolute majority of the votes cast, unless the articles of association or applicable law provide otherwise.

* Excluding the Executive Board.

Shareholders representing 69.47% (2021: 70.12%) of the total number of shares entitled to vote were represented at the General Meeting of Shareholders held on 11 April 2022.

For more information about the authority of the General Meeting of Shareholders and the articles of association, please visit the corporate website at www.kendrion.com.

Special provisions relating to shares

Unless indicated otherwise, there are no restrictions on the transfer of shares, the exercise of voting rights or the term for exercising those rights, and there are no special controlling rights attached to shares. On 11 April 2022, the General Meeting of Shareholders granted the Executive Board the authority to: (i) issue shares or grant rights to acquire shares and restrict or exclude pre-emptive rights in relation to the issue of shares or the granting of rights to acquire shares; and (ii) acquire shares in Kendrion N.V. within the limits prescribed by the articles of association and the applicable statutory provisions, in each case for a period of 18 months from the date of the General Meeting of Shareholders (i.e. until 11 October 2023) and subject to the prior approval of the Supervisory Board.

Auditor

Before being presented to the General Meeting of Shareholders for adoption, the annual financial statements as prepared by the Executive Board must be audited by an external certified public auditor. The General Meeting of Shareholders has the authority to appoint the auditor. On 12 April 2021, the General Meeting of Shareholders reappointed Deloitte Accountants B.V.

for a third and final period of four years (i.e. for the 2021 to 2024 financial years). The General Meeting of Shareholders may put questions to the external auditor with respect to the external auditor's opinion on the financial statements. The external auditor shall therefore attend and be entitled to address the General Meeting of Shareholders.

Kendrion has an internal audit function that operates under the responsibility of the Executive Board, with reporting lines to the CFO and the Audit Committee of the Supervisory Board. The role of the internal audit function is to assess the design and the operation of the internal risk management and control systems. In line with the Code, the Executive Board and the Audit Committee of the Supervisory Board are involved in the preparation and approval of the internal audit plan. The annual internal audit plan will be submitted to the Executive Board and the Supervisory Board for approval. Internal audit reports are discussed with the Executive Board and with the Audit Committee, and the external auditor is informed accordingly.

For the management statement of the Executive Board which is required pursuant to article 5:25c of the Financial Supervision Act (*Wet op het Financieel Toezicht*), reference is made to the 'Report of the Executive Board' on page 36.

Agreements in the meaning of the Decree for the implementation of article 10 of the Takeover Directive (*Besluit artikel 10 overnamerichtlijn*)

The credit facilities of Kendrion N.V. include a change of control provision. An early repayment obligation is triggered if a party acquires more than half of Kendrion's issued share capital or voting rights.

Corporate Governance statement

This Corporate Governance Report and the section 'Share and shareholder information' on pages 23-25 include the information referred to in the Decree for the implementation of article 10 of the Takeover Directive. In addition, this Corporate Governance Report, in combination with the section 'Risk management' on pages 72-79 and Report of the Supervisory Board on pages 89-94, should be regarded as the Corporate Governance Statement required pursuant to the Decree on the contents of the management report (*Besluit inhoud bestuursverslag*).

Relevant documents on corporate website

- Articles of association
- Supervisory Board regulations and committee regulations
- Diversity policy for the Supervisory Board, Executive Board and Management Team
- 'Profile outline' for the Supervisory Board
- Insider Trading Code
- Policy on bilateral contacts with shareholders
- Code of conduct
- Speak-up procedure

Taxes

Kendrion's tax policy is based on the core values embedded in Kendrion's Code of Conduct and aligned with Kendrion's strategy and the rationale underlying the value creation pillar 'Responsible Business Conduct', which is part of Kendrion's global sustainability program.

Taxable profits are recognized in jurisdictions in which value is created, in accordance with the applicable tax regulations and standards, including the OECD Guidelines for Multinational Enterprises and local transfer-pricing and other applicable tax regulations. Tax is not limited to corporate income tax but also

includes VAT, wage withholding tax, social security contributions, dividend withholding tax, real estate tax and any other taxes that are payable by Kendrion in the relevant jurisdictions. Kendrion does not seek to establish aggressive tax-driven structures that are not compliant with the letter or spirit of applicable tax regulations. This means that Kendrion does not pursue any aggressive tax planning or has entities established in tax haven jurisdictions solely for tax optimization purposes and without commercial substance.

Kendrion provides adequate transparency towards tax authorities and builds and maintains a professional relationship with the tax authorities. If and when appropriate, tax authorities are consulted in advance on certain material transactions or business restructuring in order, for instance, to ascertain compliance with the applicable tax regulations. Kendrion makes tax-related disclosures in accordance with the applicable statutory regulations and applicable reporting requirements and standards, such as IFRS.

Key controls are in place to identify, monitor and address (potential) tax risks with a view to mitigating and avoiding these risks. Accredited tax advisors are consulted and involved in the review and preparation of material corporate income tax returns, if appropriate. Tax compliance is part of Kendrion's internal audit plan and material tax risks and topics, including Kendrion's tax policy, are reported to and discussed in the Audit Committee.

Kendrion takes responsibility and shows prudence with regard to corporate tax obligations. The effective tax rate of Kendrion or any of its affiliates is not a key performance indicator for Kendrion's finance and tax department nor do individual bonus schemes contain effective tax rate performance targets. Information about the reconciliation of the effective tax rate can be found on page 177 of this Annual Integrated Report.



F.J. van Hout (Chairman), male, 1960
Chairman

Nationality Dutch
International expertise Yes
Date of first appointment 12 April 2021
Term of office 2021-2025
Current number of SB positions 5
Shares in Kendrion 7,300
Professional experience Semiconductors

Additional positions Chairman of the Investment Committee of the DeepTech Fonds (Dutch Ministry of Economic Affairs and InvestNL); Vice-Chairman of the Supervisory Board, Aixtron SE; Member of the Supervisory Board, Bambi Belt Holding BV; Member of the Supervisory Board, Stichting PhotonDelta; Member of the Supervisory Board, Smart Photonics BV; Member of the Board of Management of the Stichting Continuïteit BESI

Former positions Executive Vice President and Member of the Board of Management, ASML; Chief Strategy Officer, Chief Program Officer, Chief Marketing Officer and other various functions in management, ASML; CEO, Beyeler Group; Chief Technology Officer, Datacolor



J.T.M. van der Meijs, female, 1966
Chair Audit Committee

Nationality Dutch
International expertise Yes
Date of first appointment 31 October 2016
Term of office 2019-2023 (2nd term)
Current number of SB positions 5
Shares in Kendrion No
Professional experience Finance

Additional positions Member of the Supervisory Board, Koole Terminals; Member of the Board of Directors, Pharming Group; Member of the Board of Directors, Grundfos; Member of the Board of Directors, V. Group

Former positions Treasurer and Board Member, NDL (Nederland Distributieland); CFO, Royal Schiphol Group; Non-executive Director, Groupe AdP (Aéroports de Paris); Non-executive Director, Brisbane Airport Corporation PtY Ltd; VP Finance Global Capital Projects and other international senior management functions, Royal Dutch Shell



M.J.G. Mestrom, female, 1961
Chair HR Committee

Nationality	Dutch
International expertise	Yes
Date of first appointment	11 April 2016
Term of office	2020-2024 (2 nd term)
Current number of SB positions	1
Shares in Kendrion	No
Professional experience	HR/organizational design/transformation
Additional positions	Chief Human Resources Officer at Brenntag SE
Former positions	Head of Global Human Resources, at Siegwerk Druckfarben Group; Senior Global Human Resources positions



E. Doll, male, 1959
Audit Committee

Nationality	German
International expertise	Yes
Date of first appointment	24 June 2020
Term of office	2020-2024
Current number of SB positions	4
Shares in Kendrion	No
Professional experience	Automotive, plastics, industrial, medical, chemical
Additional positions	Vice Chairman of Supervisory Board, WITTE Automotive GmbH Non-Executive Director, Aeristech Ltd.;; Member of Advisory Board, Magment GmbH
Former positions	Vice Chairman of the Executive Board, Röchling Group; President & CEO, Röchling Automotive SE; EVP, Plastic Omnium Auto Exterior; Managing Director, Plastic Omnium GmbH; General Manager, Johnson Controls GmbH; Business Manager, BASF SE

Focus on opportunities delivers strong results

Geopolitical tensions, supply chain disruptions, inflation, the energy crisis: never have market conditions been so unpredictable and complex. Yet, by keeping a strong focus on opportunities rather than problems, Kendrion management and their teams delivered outstanding financial and commercial results.



Frits van Hout
Chairman of the Supervisory Board

Profit(ability) margins and growth

When faced with so many challenges, you can either batten down the hatches or you can shift up a gear: which is exactly what Kendrion management and their teams across the globe did this year. And the results are inspiring. Amidst continued supply chain disruptions, inflation, and the energy crisis, we realized more than half a billion EUR in turnover, and a normalized EBITDA* of EUR 57.4 million. This is extraordinary and could not have been achieved without close collaboration and respect between Kendrion colleagues worldwide, our customers, and our suppliers.

While this result is impressive, it does not fully reflect our profit potential in my view. We need healthy profitability margins to be able to invest in our future. However, the challenges mentioned earlier significantly impacted both our revenues and our expenses. Now that our Automotive OEM customers' businesses are recovering, we see room for correcting prices and bringing our internal costs back within certain limits. Both should help us restore our profitability margins.

Advancing our energy transition strategy

The transition to cleaner forms of energy offers many opportunities, in our industrial as well as our automotive markets. We continue to see solid growth and profitability in our industrial business, because of the accelerating transition to renewable energy world-wide. Our Automotive business experienced another tough year, but with the new 'Automotive E' organization, we aim to build a powerful innovation niche. Our suspension, sensor cleaning and sound platform products

deliver great potential in the transition to electric, driverless mobility around the world.

In addition, with 3T's software and electronics development capabilities, we are placed better than ever to deliver high-quality, smart actuators for autonomous vehicles, as well as industrial products. With this expertise in-house, we are no longer dependent on electronics suppliers.

Shift to localized supply chains

The growing geopolitical tensions have made our markets very sensitive to trade restrictions. As a result, our customers are rethinking their supply chains and moving to a more local approach. With factories in China, India, the US, and Europe, we can provide locally customized, high-quality products, with reliable production times, at competitive prices. We anticipate this will strengthen our position in these regions, and globally.

In conclusion

On behalf of the Supervisory Board, I want to express our appreciation for how everyone within Kendrion stepped up to the challenges of these past years. Rather than look at all the things that went 'wrong', they took charge and sought out opportunities and ways to be (even) more efficient. I'm truly impressed with how everyone remained positive, rallying together to take on another year of uncertainty as a true team. I also want to thank our customers, suppliers and shareholders for their flexibility and trust. As a result of everyone's steadfast commitment, we are wrapping up this year with outstanding results, and looking to 2023 with confidence.

* Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to Reconciliation of non-IFRS information, starting on page 210.

The Supervisory Board provides oversight, evaluates progress and performance, maintains a sound and transparent system of checks and balances, and advises the Executive Board when appropriate. To this end, the Supervisory Board weighs long-term value creation and the interests of the company and its stakeholders.

This Report of the Supervisory Board sets out the way in which the Supervisory Board fulfilled its duties and responsibilities in 2022.

Performance in 2022

With the Russian invasion of Ukraine, geopolitical tensions dominated the year 2022, leaving its impact on society. The difficult geopolitical situation also affected businesses and supply chains as it triggered production and delivery disruptions. For many manufacturing sectors 2021 was a year defined by unprecedented raw material and other shortages causing operational disturbances and demand volatility and this unpredictability and volatility continued in 2022. The high inflation and energy crisis added to the already challenging trading environment. Despite these demanding circumstances, management continued prioritizing actions to address short-term production and delivery challenges, whilst at the same time pursuing sustainable long-term growth opportunities. Investments needed to capitalize on Kendrion's substantial growth opportunities also continued, with the construction of our new production facility in Suzhou's Industrial Park.

The persistent geopolitical instabilities underline the increasing importance of local supply chains. Over the past years, we have consistently invested in local capabilities and supply

chains, to support our growth ambitions in China, but also with respect to our other production locations in the US, Europe, and India.

The transition towards clean energy offers significant growth opportunities for our three Business Groups. Our Business Groups Industrial Brakes and Industrial Actuators and Controls are well positioned to take advantage of the energy transition. In wind power, automated warehouses and factory automation demand for our products has increased, and we see great opportunities for our induction heating systems that replace gas and oil heating solutions, circuit breakers for electricity distribution and safety actuators for nuclear power facilities.

The automotive industry is transitioning to new forms of sustainable mobility – including the shift from combustion engine vehicles to hybrid and fully electric vehicles. The latter is greatly supported by various legislative initiatives across the world. Our Automotive Group responds to this evolving market and is well positioned to contribute to the advancement of sustainable mobility solutions through its smart actuation technology that enables Autonomous, Connected, Electric, and Shared (or ACES) mobility. With 3T we significantly expanded our software and electronics development capabilities. The expansion of our capabilities along with our years of experience in designing and manufacturing intelligent actuators, further enhanced our ability to deliver high-quality smart actuators for electrified and autonomous vehicles. The split of the Automotive Group into two distinct organizations Automotive Core and Automotive E effective as per 31 December 2022, reflects our strategic agility that is needed to remain part of and contribute to the accelerating automotive transformation. Automotive Core will focus on existing technologies for vehicles with an internal combustion engine – whereas Automotive E will pursue growth opportunities that the transition towards new forms of sustainable mobility offers. The new organizational set-up is

anticipated to increase efficiencies and further strengthen our innovation capacity that supports the development of sustainable products including AVAS sound systems, active suspension, and sensor cleaning. Designing and manufacturing these kinds of sustainable products exemplifies our sincere commitment to combating climate change.

For many years, Kendrion has been actively engaged in reducing its environmental impact. We have reduced the relative CO₂ emissions from energy by our production facilities by 60% compared to 2015. The EcoVadis sustainability rating puts Kendrion in the top 22% of rated manufacturing companies and illustrates its long-standing commitment to making meaningful contributions. With the increasing sustainability demands of society and the resulting legislative initiatives, we are encouraged to further sharpen and strengthen our sustainability ambitions and strategy. Kendrion made good progress on the development of its third 5-year sustainability strategy for the period 2024-2028. We are dedicated to accelerating our sustainability ambitions with our new 2024-2028 sustainability program which we expect to announce in 2024.

The consistent pursuit of sustainable growth opportunities has led to the achievement of respectable financial results amid challenging circumstances and geopolitical instabilities that affected many businesses and industries. These results could not have been achieved without collaboration between Kendrion colleagues around the world and strong partnerships with our customers and suppliers. Despite the positive coverage, we should remain focused on realizing healthy profit margins, which will enable Kendrion to continue investing in long-term sustainable opportunities. The Supervisory Board is confident that this responsibility is in trusted hands with the Executive Board and senior management.

Focus points in 2022

In coordination with the Executive Board, the Supervisory Board previously determined certain focus areas for 2022. The Supervisory Board placed special emphasis on the following predetermined points in 2022:

Advancing the development of a sustainability program for the period 2024 to 2028

Kendrion has been actively engaged in reducing its environmental impact and promoting social responsibility for many years. During the past period Kendrion furthermore prioritized the development of an ambitious new sustainability program for the period 2024 to 2028. The development process involved the performance of a thorough analysis of current practices, establishment of improvement areas, review of possible ambitious sustainability targets, and the development of a roadmap for the implementation of measures.

The development of a new sustainability program is an important step to keep up with the accelerating sustainability transformation and the fight against climate change and global warming. Reducing greenhouse gas emissions, phasing out of fossil fuels, and switching to renewable energy sources are necessary to reduce companies' environmental impact. In 2021 a specialized consultancy firm carried out a comprehensive assessment and provided Kendrion with an outside-in perspective on its decarbonization efforts. The outcome of the extensive review and the recommendations made at the time also provide the foundation for the advancement of decarbonization plans under Kendrion's 2024-2028 sustainability program. Anticipated reduction measures include the further replacement of fossil fuels with renewable energy sources, and the implementation of additional energy-efficient practices. The solar panels at the new manufacturing facility in China are expected to produce an estimated 550,000 kWh of

solar energy per year. Further investments in renewable energy and additional decarbonization measures are contemplated as part of the 2024-2028 sustainability program – as they currently remain subject to further review.

The development of an ambitious new sustainability program not only contributes to a more sustainable future but also offers opportunities to strengthen Kendrion's competitive advantage. Sustainable products and technologies are seen as the default choice by a growing number of companies and therefore offer significant commercial potential. Kendrion's smart actuation technology aligns with the increasing demand for products that support the energy transition. With its Responsible Product Portfolio – i.e. covering Products that Improve Health, Products that Reduce Climate Impact and Products that Keep you Safe – Kendrion contributes to the advancement of healthier lives and the improvement of well-being for all. Kendrion will continue to prioritize the development of its Responsible Product Portfolio as part of the new 2024-2028 sustainability program.

As also highlighted during the Capital Markets Day in September 2022, other key themes of the new sustainability program include sustainable sourcing, diversity, and health and safety. The new program will be Kendrion's third 5-year sustainability program and will be announced in 2024.

The Supervisory Board is positive about the outlines of the new 2024-2028 sustainability program and expects that it will meet the reasonable expectations of Kendrion's stakeholders. Remaining analyses required to complete the program before its introduction in 2024 will be carried out in 2023.

Accelerating transition to a future-proof organization

For the transition to a future-proof organization, a strategic approach has been adopted that considers internal structures

and practices as well as external factors. A key external circumstance that is considered, is the change in the automotive industry to new forms of sustainable, de-carbonized mobility. The shift from combustion engine vehicles to hybrid and fully electric vehicles is greatly supported by legislative initiatives and with its years of experience in designing intelligent actuators, the Automotive Group is well-positioned to address the evolving demands.

The split of the Automotive Group per the end of 2022 into two distinct organizations – Automotive Core and Automotive E – reflects the strategic agility that is needed to remain part of and contribute to the accelerating automotive transformation. Automotive Core will focus on existing technologies for vehicles with an internal combustion engine, while Automotive E will pursue growth opportunities offered by the transition towards new forms of sustainable mobility. This new organizational set-up is anticipated to increase efficiencies and further strengthen our innovation capacity supportive to the development of sustainable products including AVAS sound systems, active suspension, and sensor cleaning.

The Supervisory Board fully supports the split of the Automotive Group and the establishment of Automotive Core and E. The split strengthens Kendrion's ability to benefit from the move towards automotive electrification and clean energy, and presents a well-considered and thought-out path towards the future of new forms of sustainable mobility.

Progress on the achievement of the medium- to long-term 2025 financial objectives

The geopolitical tensions prevailing in 2022 have caused the continuation of market unpredictability and volatility following the outbreak of the COVID pandemic in March 2020. Whereas the unprecedented supply chain challenges triggered by the pandemic in 2020 predominantly concerned raw material and

other shortages, the high inflation and energy crisis added significantly to the already challenging trading environment. These demanding circumstances did not distract management from setting the right priorities and continuing its pursuit of sustainable long-term growth opportunities. The completion of the split of the Automotive Group and the progress made on the construction of the new 28.000 m² manufacturing facility in China have been important strategic decisions that support the continued pursuit of these growth opportunities. The financial results realized amid challenging circumstances and geopolitical instabilities are remarkable, and the Supervisory Board is satisfied with the way in which the Executive Board and senior management managed production and delivery challenges, whilst at the same time pursuing sustainable long-term growth opportunities. Without prejudice to the good performance and the progress made during the year under review, the Supervisory Board expects continued attention from the Executive Board on the realization of healthy profit margins to enable continued investments in long-term sustainable growth opportunities.

Although the economic outlook remains uncertain with a potential recession in Europe and the US affecting global economies, the Supervisory Board is confident that the Executive Board and senior management continue to properly prioritize the pursuit of sustainable growth opportunities in support of the realization of the 2025 financial objectives.

Focus points for 2023

The Supervisory Board has defined the following attention points for 2023:

- Finalization of the 2024-2028 sustainability program to allow for announcement in 2024.
- Completion of the new China manufacturing facility and successful transfer of the Shanghai and Suzhou production activities to the new facility.
- Sustainable advancement of Kendrion's automotive business position through further strategic alignment of Automotive Core and E.

Meetings and attendance

The Supervisory Board held nine meetings in 2022. All of these were regular, scheduled meetings.

All meetings of the Supervisory Board were attended by the Executive Board, and at times by members of the Management Team. In addition, meetings were held without the Executive Board and without the Management Team prior to each regularly scheduled Supervisory Board meeting. The attendance percentage for regular, scheduled Supervisory Board meetings in 2022 was 100% (2021: 100%).

In addition, the Chairman of the Supervisory Board and the Chair of the Audit Committee held monthly meetings with the CEO and CFO, respectively. The Supervisory Board also focused on direct interaction with the Management Team and other senior management. This included presentations in the areas of responsibility and one-on-one meetings between the Chairman of the Supervisory Board and members of the Management Team.

The agenda for the Supervisory Board meetings covered the 2022 focus items described on pages 90-91 and other recurring topics that are annually addressed, including operational and financial performance, progress against the strategic plan and the principal risks associated with the operation, progress and the achievement of milestones of special projects, fraud and risk management and internal control system, governance and compliance and the General Meeting of Shareholders.

The external auditor attended the meeting of the Supervisory Board in February 2022 during which the full-year figures for 2021 and the auditor's report were discussed.

Evaluation

The Supervisory Board continued to invest in its own training during the year and received updates on governance and compliance. Once a year, the Supervisory Board carries out a self-assessment, including an assessment of the Supervisory Board committees and the individual Supervisory Board members. During a Supervisory Board meeting without the Executive Board members present, the Supervisory Board deliberated on its own performance. Aspects considered included team dynamics, competences, and market knowledge. In addition, performance was assessed based on a structured questionnaire that was completed by the members of the Supervisory Board and the Executive Board. The questionnaire addressed items such as: composition and expertise of the Supervisory Board, dynamics within and functioning of the Supervisory Board and its committees, functioning of individual members of the Supervisory Board, dynamics between the Supervisory Board and the Executive Board and tasks and responsibilities of the Supervisory Board.

The Supervisory Board performs the annual assessment with the support of an external consultant at regular intervals and it is intended to retain an external consultant for the annual evaluation in 2023.

The outcome of the evaluation confirmed a good and constructive relationship between the Supervisory Board and the Executive Board. The Supervisory Board members take appropriate responsibility and are valued for their dedication, expertise, and ongoing commitment. The Supervisory Board members are aware of the different roles and responsibilities between the Supervisory Board and the Executive Board and are keen to secure them.

In Supervisory Board-only meetings, the members assess the functioning of the Executive Board and the individual members. With the CEO and the CFO, the Supervisory Board discussed performance and last year's KPIs, strategic and operational spearheads for 2022, and personal development.

Composition

The Supervisory Board consists of four members: Frits van Hout (Chairman), Jabine van der Meijs (Chair of the Audit Committee), Marion Mestrom (Chair of the HR Committee) and Erwin Doll.

The Supervisory Board operates independently of the Executive Board, the Management Team, any other participating interests, and each other. Each of the Supervisory Board members has the necessary expertise, experience, and background to carry out his or her tasks and responsibilities. All members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code. The members of the Supervisory Board satisfy the statutory requirements concerning the number of supervisory or non-executive functions that they can have with large enterprises. The composition of the Supervisory Board is in line with the Supervisory Board profile as drawn up by the Supervisory Board and the diversity objectives described in the Diversity Policy for the Supervisory Board. Both the Supervisory Board profile and the Diversity Policy can be found on the corporate website at www.kendrion.com.

The composition of the Supervisory Board reflects a balanced gender participation of two men and two women.

Committees of the Supervisory Board

To perform in an efficient manner, the Supervisory Board has established two committees: the Audit Committee and the HR Committee. The primary task of the committees of the Supervisory Board is to advise and facilitate the Supervisory Board with respect to its responsibilities and to prepare decision-making by the Supervisory Board. The committees

of the Supervisory Board have their own regulations, which include a detailed description of the committee's tasks and responsibilities.

Audit Committee

The Audit Committee uses its knowledge and expertise to advise on and prepare Supervisory Board's decision-making, particularly concerning matters relating to Kendrion's financing, financial statements, the integrity and quality of financial and non-financial reporting, the effectiveness of risk management and internal controls, and the approach and operation of the internal audit function and internal audit program.

The Audit Committee consists of Jabine van der Meijs (Chair) and Erwin Doll.

The Audit Committee held four meetings in 2022. Attendance during 2022 was 100% (2021: 100%). The CFO and the Internal Audit and Risk Manager attended all meetings. The external auditor Deloitte Accountants B.V. attended the meetings of the Audit Committee during which the full-year financial statements for 2021, the half-year financial statements for 2022 and the management letter were discussed. The Audit Committee met with the external auditor without the CFO and the Chair of the Audit Committee held recurring meetings with the Internal Audit and Risk Manager.

In line with the increasing environmental awareness of society and the progressing political debate, new laws and regulations have been enacted to reduce the negative impacts of climate change. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities and related disclosure requirements. In addition, existing non-financial reporting standards will be revised. Accurate and informative sustainability reporting requires changes to existing reporting processes and data collection.

The Audit Committee informed itself of relevant developments and in addition to regular updates provided by management during the Audit Committee meetings, the members of the Audit Committee attended a specially convened expert session about ESG reporting developments.

The Audit Committee monitored and reviewed regular topics such as: the quarterly financial results, the half-year and full-year financial statements, the auditor's report, maintenance and effectiveness of the risk management framework and internal control system, the internal audit plan and key findings of internal audits performed, the external audit plan, transfer pricing, tax policy, treasury policy, the group insurance program, the speak-up procedure, legal and compliance, the annual evaluation of the external auditor and the annual evaluation of the approach and operation of the internal audit function and the internal audit program.

Regular updates were provided on the maintenance and effectiveness of the risk management framework and internal control system relating to strategic, financial, operational, tax control and compliance matters. Kendrion monitors its internal controls through a systematic approach, which is supported by a solid risk management framework and the internal audit program.

The Audit Committee also discussed tax and treasury matters, including Kendrion's policies relating to transfer pricing. With respect to tax, the Audit Committee also monitored and discussed the status of pending tax audits, including the status of the ongoing German tax audits.

In addition to the above, the Audit Committee monitored progress on the execution of the 2020-2025 IT strategic framework, including a comprehensive session about information security and information security management.

Deloitte Accountants B.V. was reappointed as external auditor by the General Meeting of Shareholders on 12 April 2021 for a final term of four years up to and including the financial year 2024. The Audit Committee monitored both the external auditor's performance and the effectiveness of the external audit process and its independence. The Audit Committee approved the 2022 external audit plan, including scope and materiality applied. Reviews and discussions were held on the findings of the external auditor in its management letter and the actions taken to address the recommendations and observations made by the external auditor. Also based on the outcome of the assessment of Deloitte's performance as well as the advice of the Executive Board, the Audit Committee advised the Supervisory Board regarding the reappointment of Deloitte as external auditor.

HR Committee

The HR Committee consists of Marion Mestrom (Chair) and Frits van Hout. The HR Committee held two meetings, with an attendance rate of 100% (2022: 100%). The CEO attended both meetings. In addition to the scheduled meetings, the HR Committee had several informal meetings with and without the members of the Executive Board being present.

Succession planning

In view of the expiration of Mrs. Jabine van der Meijs' second term in 2023, the Chair of the HR Committee commenced the search to find a new member for the Supervisory Board.

The Supervisory Board and the Executive Board express their deep appreciation to Jabine van der Meijs for her significant and invaluable contribution to Kendrion as she provided thoughtful guidance and oversight throughout her membership and as Chair of the Audit Committee.

Performance management

The HR Committee considered and prepared the performance reviews of the members of the Executive Board for discussion in the Supervisory Board. The outcome of the performance reviews process was discussed in a Supervisory Board-only meeting.

Variable remuneration

The HR Committee agreed the financial and non-financial performance criteria for the short-term and long-term variable remuneration of the Executive Board and reviewed progress on these performance criteria.

The Executive Board provided the HR Committee with information on the main components of the remuneration structure applying to members of the Management Team who are not members of the Executive Board. The variable remuneration of the Management Team is aligned to the structure of the Executive Board variable remuneration.

Financial statements and auditor's opinion

The 2022 financial statements included in this Annual Integrated Report have been audited and Deloitte Accountants B.V. has issued an unqualified opinion. These were discussed with the Supervisory Board, the Audit Committee in the presence of the external auditor, and the Executive Board.

The Supervisory Board is of the opinion that the 2022 financial statements meet all requirements for transparency and correctness. Therefore, the Supervisory Board recommends that the General Meeting of Shareholders to be held on 17 April 2023 adopt the 2022 financial statements and the appropriation of net income.

This Annual Integrated Report furthermore contains a limited assurance report of Deloitte Accountants B.V. on selected sustainability performance targets.

Profit appropriation

Kendrion realized a net profit of EUR 46.3 million negative in 2022. Normalized net profit before amortization¹ of intangibles amounted to EUR 21.7 million.

The Supervisory Board approved the proposal of the Executive Board to pay out 50% of normalized net profit before amortization as dividend.

The members of the Supervisory Board have signed the 2022 financial statements to comply with their statutory obligation pursuant to article 2:101, paragraph 2, of the Dutch Civil Code.

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.

Concluding remarks

The Supervisory Board is satisfied with the increased focus on business resilience and flexibility and has confidence in the organization's ability to respond to changing market conditions and customer demands going forward. We thank the Executive Board, the Management Team and the entire Kendrion staff for their flexibility, loyalty, and commitment to perform throughout what has been a particularly challenging year. The Supervisory Board is also pleased that the dialogue with our customers about new business continued and has been successful. Last but not least, we want to thank our shareholders for their ongoing trust and support.

Supervisory Board

Frits van Hout, Chairman
Jabine van der Meijs
Marion Mestrom
Erwin Doll

28 February 2023

Introduction

This Remuneration Report describes the application of the Remuneration Policy for the Executive Board and the actual performance in 2022 against the predefined performance criteria. In addition, the Remuneration report provides an overview of the remuneration of the Supervisory Board in 2022.

Performance in 2022

With the Russian invasion of Ukraine, geopolitical tensions dominated the year 2022. The high inflation and energy crisis added to the already challenging trading environment. Despite these demanding circumstances, management continued prioritizing actions to deal with short-term production and delivery challenges, whilst at the same time pursuing sustainable long-term growth opportunities.

The transition towards clean energy offers significant growth opportunities for each of Kendrion's Business Groups. The Business Groups Industrial Brakes and Industrial Actuators and Controls are well positioned to take advantage of the energy transition. In wind power, automated warehouses and factory automation, demand for Kendrion's products has increased. Moreover, opportunities have been identified for Kendrion's induction heating systems that replace gas and oil heating solutions, circuit breakers for electricity distribution and safety actuators for nuclear power facilities.

The split of the Automotive Group into two distinct organizations Automotive Core and Automotive E effective as per 31 December 2022, reflects Kendrion's strategic agility that is needed to contribute to the accelerating automotive transformation. Automotive E will pursue growth opportunities

that the transition towards new forms of sustainable mobility offers and Automotive Core will focus on existing technologies for vehicles with an internal combustion engine. The new organizational set-up is anticipated to increase efficiencies and further strengthen innovation capacity that supports the development of sustainable products. Designing and manufacturing these kinds of sustainable products exemplifies Kendrion's commitment to combating climate change.

Kendrion has reduced the relative CO₂ emissions from energy by its production facilities by 60% compared to 2015. The EcoVadis sustainability rating puts Kendrion in the top 22% of rated manufacturing companies. The Executive Board is encouraged to further sharpen and strengthen Kendrion's sustainability ambitions and strategy and made good progress on the development of its sustainability strategy for the period 2024 to 2028. The new sustainability strategy is expected to be announced in 2024.

The consistent pursuit of sustainable growth opportunities has led to the achievement of respectable financial results amid challenging circumstances and geopolitical instabilities that affected many businesses and industries. In 2022, revenue grew by 12% from EUR 464.0 million in 2021 to EUR 519.3 million, margin was protected by passing on price increases to customers and strong normalized EBITDA and profit were realized. The 2022 normalized EBITDA¹ was EUR 57.4 million and the 2022 return on investment came² to 15.6% (2021: 15.6%). Despite the positive coverage, the Executive Board will remain focused on realizing healthy profit margins, which is expected to enable Kendrion to continue investing in long-term sustainable opportunities.

By reference to the sustainable opportunities identified, the existing project pipeline and the strong organic growth realized during the years 2021 and 2022, the Executive Board remains confident that it is on the right track to meet the medium-term financial objectives for 2025.

Remuneration Policy Executive Board

The Remuneration Policy for the Executive Board has been developed by the Supervisory Board and adopted by the General Meeting of Shareholders in June 2020.

The Remuneration Policy is evaluated at least once every four years by the Supervisory Board, and unless otherwise resolved by the General Meeting of Shareholders, the Remuneration Policy adopted by the General Meeting of Shareholders in June 2020 applies to the Executive Board members' remuneration granted in the years 2020 up to and including 2023, irrespective whether pay-outs and vesting of performance shares become due, occur or are made after 2023.

The HR Committee will continue to keep the Supervisory Board informed about relevant market and legislative developments to support the periodic evaluation of the Remuneration Policy and related decision-making. For more information about Kendrion's Remuneration Policy, please visit the corporate website at www.kendrion.com.

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measures, refer to reconciliation of non-IFRS information, starting on page 210.

² Invested capital excluding intangibles arising from acquisitions.

Remuneration in line with median level relative to reference group

The Remuneration Policy serves to recruit and retain diverse, qualified and experienced executives to deliver Kendrion's long-term value creation strategy. In addition, the Remuneration Policy aims to further enhance the link between pay and performance and align the interests of the members of the Executive Board with the shareholders' and other stakeholders' interests and focus on the sustainable delivery of high performance over the long-term by stimulating share ownership whilst adhering to the applicable standards of good corporate governance.

Taking account of Kendrion's size (in terms of revenues, average market capitalization, total assets, and number of FTE), its industrial market position, geographical scope and labor market competition, the companies included in the AScX Index on Euronext Amsterdam are defined as reference group. Financial services, real estate and movies and entertainment companies are excluded from the reference group. Within the defined reference group, Kendrion is positioned around the median in terms of the average of the abovementioned parameters revenues, average market capitalization, total assets and number of FTE. The remuneration structure of the Executive Board is set at around the median level relative to the reference group.

The Remuneration Policy does not contain variable incentives that may be detrimental to the responsibilities of the Executive Board in defining and achieving Kendrion's long-term value creation strategy.

Temporary deviations

In exceptional circumstances, the Supervisory Board can decide to temporarily deviate from the Remuneration Policy for members of the Executive Board. Exceptional circumstances mean circumstances in which a deviation is considered necessary to serve long-term interests and sustainability of Kendrion or to otherwise ensure its viability. Depending on the exceptional circumstances, the Supervisory Board can resolve to deviate from any or all the four remuneration components included in the Remuneration Policy for the members of the Executive Board.

When considering a temporary deviation from the Remuneration Policy, the Supervisory Board shall consider Kendrion's long-term value creation strategy, ongoing business and operational requirements as well as the financial situation of Kendrion. In addition, the deviation considered should be assessed considering the principles of reasonableness and fairness.

Upon having resolved a temporary deviation from the Remuneration Policy, the Supervisory Board will (i) cancel and withdraw all deviations from the Remuneration Policy prior to the first annual General Meeting of Shareholders following the effective date of the deviation; or (ii) propose the necessary amendments to the Remuneration Policy for adoption during the first annual General Meeting of Shareholders following the effective date of the deviation.

Deviations from the Remuneration Policy will be reported in Kendrion's remuneration policy.

The Supervisory Board did not decide upon a temporary deviation from the Remuneration Policy for the members of the Executive Board in 2022.

Remuneration components

The Remuneration Policy for members of the Executive Board consists of four components: a fixed base salary, a short-term variable remuneration, a long-term variable remuneration and other benefits such as a pension scheme and a car allowance or lease budget.

The sum of the fixed base salary, the short-term variable remuneration and the long-term variable remuneration for members of the Executive Board are considered appropriate in relation to: (i) the identity, the purpose, and values of Kendrion, (ii) the pay-ratios within Kendrion, (iii) the international context in which Kendrion operates and (iv) views of relevant stakeholder groups.

The variable remuneration components are subject to a maximum value determined in advance in accordance with the Remuneration Policy. The Supervisory Board will carry out scenario analyses to assess that the pay-out level of variable remuneration components appropriately reflect performance.

Base salary

Members of the Executive Board receive a base salary, the amount of which is set at around the median level relative to the abovementioned reference group*. The fixed base salary levels can be adjusted to be decided upon by the Supervisory Board, based on general market movement and inflation figures.

In addition to the above, any increase of the annual fixed base salary up to the median level relative to the abovementioned reference group, can be decided upon by the Supervisory Board and will not be regarded as an amendment to the Remuneration Policy.

Following the annual performance review of the CFO Jeroen Hemmen in January 2022, the Supervisory Board resolved to increase the annual fixed base salary of the CFO with 7.8% effective as of 1 January 2022. The Supervisory Board – upon the recommendation of the HR Committee – considered the salary increase justified and appropriate by reference to the CFO's performance and the commitments made relevant to the gradual increase of the annual fixed base salary upon the CFO's appointment in 2019. With the 7.8% increase, the 2022 annual fixed base salary of CFO Jeroen Hemmen remained around – and not

exceeding – the relevant market median consistent with the applicable Remuneration Policy.

	<u>2022 annual gross base salary</u>
CEO (J.A.J. van Beurden)	EUR 550,000
CFO (J.H. Hemmen)	EUR 335,000

The table below provides an overview of the development of the annual gross base salary levels of the members of the Executive Board during previous financial years.

	<u>2022 annual gross base salary</u>	<u>2021 annual gross base salary</u>	<u>2020 annual gross base salary</u>	<u>2019 annual gross base salary</u>	<u>2018 annual gross base salary</u>	<u>2017 annual gross base salary</u>	<u>2016 annual gross base salary</u>
CEO (J.A.J. van Beurden)	EUR 550,000	EUR 550,000	EUR 550,000	EUR 504,645 ¹ EUR 550,000 ² EUR 517,916.67 (actual) ⁴	EUR 490,900	EUR 474,300	EUR 465,000
CFO (J.H. Hemmen)	EUR 335,000	EUR 310,788	EUR 270,250 EUR 254,485.41 (actual) ⁴	EUR 235,000 ⁵ EUR 117,500 (actual)			

* On April 2019, the General Meeting of Shareholders reappointed J.A.J. van Beurden as CEO and member of the Executive Board for a four-year period commencing on 1 December 2019 and ending on 1 December 2023. The fixed annual gross base salary that has become effective as of 1 December 2019 amounts to EUR 550,000, which amount is not subject to indexation during the second four-year term. The reappointment resolution does not also encompass a change to the Executive Board Remuneration Policy as adopted by the General Meeting of Shareholders in June 2020.

¹ Effective until 1 December 2019.

² Effective as of 1 December 2019 (i.e. the commencement date of the CEO's second term).

³ The sum of EUR 462,591.25 (i.e. 11/12th of EUR 504,645) and EUR 45,833.33 (i.e. 1/12th of EUR 550,000).

⁴ Voluntary salary reduction of 15% during April through July 2020 inclusive and voluntary salary reduction of 10% for the month August 2020 in view of COVID-19 prompted cost measures.

⁵ Effective as of 1 July 2019 (i.e. the effective date of appointment to the Executive Board).

Short-term variable remuneration

The short-term is payable in cash, the amount of which is based on the achievement of predetermined, specific and measurable financial and non-financial driven performance criteria.

The overview below describes the key elements of the short-term variable remuneration as recorded in the Remuneration Policy for the Executive Board.

CEO	The short-term variable remuneration ranges from 0% to 60% of the annual fixed gross base salary of the CEO, with 40% being the target amount
CFO	The short-term variable remuneration ranges from 0% to 52.5% of the annual fixed gross base salary of the CFO, with 35% being the target amount

As part of the reappointment of Joep van Beurden as CEO for a second four-year term, the General Meeting of Shareholders resolved on 8 April 2019 that the short-term variable remuneration of Joep van Beurden ranges from 0% to 90% of the annual fixed gross base salary of Joep van Beurden, with 60% being the target amount. The reappointment resolution does not also encompass a change to the Executive Board Remuneration Policy (including the information in the table above) as adopted by the General Meeting of Shareholders in June 2020.

Performance criteria

The performance criteria for the short-term variable remuneration are based on Kendrion's strategic intent to continuously grow revenue and profitability in a sustainable way. The performance criteria for the short-term variable remuneration include financial and non-financial criteria. The financial driven performance criteria determine 60% of the short-term variable remuneration and reflect the financial priorities of Kendrion. The remaining 40% of the short-term variable remuneration is determined by non-financially driven performance criteria and reflect sustainability ambitions and other priorities directly linked to Kendrion's strategic intent.

Financial performance criteria

- The financial driven performance criteria determine 60% of the short-term variable remuneration.
- Each year the Supervisory Board selects at least three financial driven performance criteria from the list below with a view to incentivize delivery of financial priorities that support Kendrion's strategic and operational spearheads.
- The Supervisory Board may allocate different weight percentages to the different financial performance criteria it selects for a particular year, provided a minimum weight of 10% shall apply to a financial performance criterion.
- Financial performance criteria¹
 - Net profit
 - Return on sales (ROS)
 - Return on investment (ROI)
 - Organic growth
 - Free cash flow
 - Revenue
 - EBITA
 - EBITDA

- The performance incentive zone (threshold, target and maximum) for each financial performance criterion will be determined in advance by the Supervisory Board. No pay-out will be made for below threshold performance. In the case of performance equal to the threshold performance of the relevant performance criterion, the pay-out of the short-term incentive will be equal to 50% of the relevant target amount. A linear curve will be applied to calculate the pay-out between threshold performance and maximum performance.

Non-financial performance criteria

- The non-financial performance criteria determine 40% of the short-term variable remuneration.
- Each year the Supervisory Board selects a certain number of non-financial performance criteria derived from the strategic and operational spearheads for the respective performance year, which will in any event include performance criteria in the area of sustainability (i.e., environmental, social and/or governance criteria).
- Achievement of each individual non-financial performance criterion will be measured by applying a binary scoring model. The amount of the pay-out for the achievement of non-financial performance criteria depends on the number of non-financial performance criteria achieved.
- A predefined step curve will be applied to calculate the pay-out between the achievement of the minimum threshold number of selected non-financial performance criteria and achievement of all selected non-financial performance criteria. No pay-out will be made for below threshold performance.

¹ In each case excluding items that are generated outside the ordinary course of business and the amortization of intangibles arising on acquisitions or similar corporate events.

Investment

Members of the Executive Board must invest at least 20% of the net amount of the pay-out of the short-term remuneration earned until the required ownership level has been reached as prescribed under Kendrion's 'Share ownership guideline' of the Remuneration Policy.

2022 short-term variable remuneration

Within the framework of the Executive Board Remuneration Policy, the Supervisory Board takes an informed decision relevant to the variable remuneration of the members of the Executive Board. For the determination of the financial and non-financial performance criteria of the 2022 short-term incentive, the Supervisory Board considered – amongst others – the 2022 focus items as previously defined by the Supervisory Board; the increasing awareness and demands of regulators, society and our stakeholders to reducing the negative impacts of climate change, the volatile economic climate and trading environment and disruptive market trends; and the importance of long-term value creation through continued investments in sustainable growth areas. The 2022 focus items of the Supervisory Board included the advancement of the development of a new sustainability program for the period 2024 to 2028, accelerating the transition to a future proof organization, and progressing the achievement of the medium to long-term 2025 financial objectives. The Supervisory Board reported on the progression made and the key points of

attention relevant to the 2022 focus items in the Report of the Supervisory Board that can be found on pages 89-94 of this Annual Integrated Report.

For the 2022 short-term variable remuneration, the Supervisory Board followed the recommendations of the HR Committee and selected four financial performance criteria, a non-financial performance criterion in the area of sustainability and other non-financial performance criteria that are linked to the Supervisory Board's 2022 focus items and Kendrion's strategic plan and operational spearheads, including the sustainable growth areas identified therein. The 2022 financial and non-financial performance criteria reflect the collective responsibility of the members of the Executive Board and make no distinction between the applicable performance criteria for the CEO and CFO.

In 2022, the following short-term incentive target amounts applied to the members of the Executive Board:

	2022 short-term incentive target amount
CEO (J.A.J. van Beurden)	EUR 330,000 (i.e. 60% of the annual gross base salary of EUR 550,000)
CFO (J.H. Hemmen)	EUR 117,250 (i.e. 35% of the annual gross base salary of EUR 335,000)

For the performance year 2022, the short-term incentive performance criteria are allocated as follows:

Short-term remuneration as percentage of annual gross base salary in 2022

Performance criterion	Weight	Minimum	At target	Maximum	
Financial performance criteria (60%)					
ROI	15%	0	CEO	9%	13.5%
			CFO	5.25%	7.88%
ROS	15%	0	CEO	9%	13.5%
			CFO	5.25%	7.88%
EBITDA	10%	0	CEO	6%	9%
			CFO	3.5%	5.25%
Free cash flow	20%	0	CEO	12%	18%
			CFO	7%	10.5%
Non-financial performance criteria (40%)					
		0	CEO	24%	36%
			CFO	14%	21%
TOTAL	100%	0	CEO	60%	90%
			CFO	35%	52.5%

2022 short-term financial performance criteria

In 2022, the actual performance against the financial performance criteria was as follows:

2022 short-term incentive performance on financial performance criteria

Financial performance criterion	Pay-out as % of short-term incentive target amount		Pay-out as % of annual gross base salary		Pay-out in EUR (gross)	
			CEO (J.A.J. van Beurden)	CFO (J.H. Hemmen)	CEO (J.A.J. van Beurden)	CFO (J.H. Hemmen)
ROI	64.5%		5.8%	3.4%	EUR 31,913	EUR 11,339
ROS	64.3%		5.8%	3.4%	EUR 31,830	EUR 11,309
EBITDA	80.6%		4.8%	2.8%	EUR 26,597	EUR 9,450
Free cash flow	68.3%		8.2%	4.8%	EUR 45,098	EUR 16,025
TOTAL			24.6%	14.4%	EUR 135,438	EUR 48,123

2022 short-term non-financial performance criteria

The non-financial performance criteria for the 2022 short-term incentive recognize the collective responsibility of the Executive Board and are aligned to the Supervisory Board's 2022 focus items and Kendrion's strategic and operational spearheads.

The table below provides a summarized description of the non-financial performance criteria.

Summarized description 2022 non-financial performance criteria

Sustainability	Accelerate implementation existing measures and develop roadmap with additional measures aimed at reduction of energy consumption and CO ₂ emissions
Optimization organizational set-up	Review and adjust organizational set-up to better leverage Kendrion global assets and capabilities
Working capital	Improvement working capital as percentage of revenue on quarterly basis
Automotive R&D and Finance organization	Reorganize global R&D organization (including Sound & Electronics to further enhance focus on growing ACES platform) and restructure Finance organization

Consistent with the Remuneration Policy, achievement of an individual non-financial performance criterion will be measured by applying a binary scoring model where a non-financial performance criterion can either be achieved or not achieved.

The amount of the pay-out for the non-performance criteria depends on the number of non-financial performance criteria achieved. The following step curve is applicable for the 2022 non-financial performance criteria.

Number of non-financial performance criteria achieved	Short-term incentive pay-out % of target amount
All 4 non-financial performance criteria achieved	150%
3 out of the 4 non-financial performance criteria achieved	100%
2 out of the 4 non-financial performance criteria achieved	50%
1 out of the 4 non-financial performance criteria achieved	0%
0 out of the 4 non-financial performance criteria achieved	0%

Throughout the year, the Supervisory Board reviewed progress against the non-financial performance criteria and received detailed updates about relevant developments and actions taken. During the December 2022 Supervisory Board meeting, the Executive Board provided a comprehensive overview of the progress made and achievements realized. Managing and dealing with the challenging trading conditions with high inflation and the energy crisis whilst at the same time pursuing sustainable long-term growth opportunities, accelerating the transition to a future proof organization, the increasing awareness and demands of regulators, society, and our stakeholders to reducing the negative impacts of climate change have been important themes considered and discussed extensively among the Supervisory Board and Executive Board.

With the rapid adjustment of standing practices and the development of longer-term measures in response to the changing economic landscape, Kendrion convincingly demonstrated its organizational agility and resilience. The achievements realized with the consistent focus on reducing the impact of climate change through the continued investment in the development and expansion of Kendrion's responsible

and sustainable product portfolio, the advancement of decarbonization strategies and mitigation plans and the development of new practices supportive to the increasing non-financial disclosure requirements, have been encouraging. The fundamental reorganization of the Automotive Group per the end of 2022 into two distinct organizations Automotive E and Core reflects the strategic agility that is required to remain part of the accelerating transformation to new forms of sustainable, de-carbonized mobility. The R&D organization has been fully aligned to the new set-up of the Automotive Group and relevant capabilities have accordingly been allocated to Automotive E and Core, respectively. The Finance organization has been restructured and centralized – which is not only supportive to the split of the Automotive Group but also to the new ESG/sustainability reporting and disclosure requirements.

Through targeted actions and measures, working capital as a percentage of revenue improved and healthy levels were generally maintained throughout the quarters. However, the impact of the high inflation and the effects thereof on the value of inventory during the year has left its mark. Without taking the position that no progress was made, the Supervisory Board considers that the degree of improvement realized, does not justify 'achievement' within the binary scoring model where a non-financial criterion can either be achieved or not achieved (i.e. no linear scoring applies).

The Supervisory Board will continue monitoring progress in the above-mentioned areas. Reference is made to the Report of the Supervisory Board on pages 90-91 that further substantiates performance and achievements realized in 2022 and the focus areas for 2023.

During the annual performance reviews, specific attention was paid to the individual performance and development of the members of the Executive Board against the non-financial performance criteria as well as key competencies such as (change) leadership and organizational alignment and strategic business orientation.

Based on the comprehensive review of the performance of the members of the Executive Board, the Supervisory Board resolved that the members of the Executive Board realized three out of the four non-financial performance criteria.

Consistent with the step-up curve, the score on the non-financial performance criteria results in a pay-out of 100% of the short-term target amount representing: 24% of the CEO's annual gross base salary of EUR 550,000 and 14% of the CFO's annual gross base salary of EUR 335,000. This resulted in a pay-out of EUR 132,000 for the CEO and EUR 46,900 for the CFO.

2022 pay-out short term incentive

Overall performance resulted in the following pay-out of the short-term incentive in 2022:

	Total pay-out 2022 short-term incentive	Pay-out as % of annual gross base salary
CEO (J.A.J. van Beurden)	EUR 267,438 (gross) (i.e. sum of EUR 135,438 and EUR 132,000)	48.62% of the gross annual base salary of EUR 550,000
CFO (J.H. Hemmen)	EUR 95,023 (gross) (i.e. sum of EUR 48,123 and EUR 46,900)	28.36% of the gross annual base salary of EUR 335,000

The table below provides an overview of the development of the pay-out under the applicable short-term incentive scheme of the members of the Executive Board during previous financial years.

Short-term incentive	2021	2020	2019	2018	2017*	2016*
CEO (J.A.J. van Beurden)	EUR 429,000 (gross)	EUR 358,600 (gross)	EUR 191,282.90 (gross)	EUR 117,816 (gross)	EUR 170,748 (gross) based on 90% achievement of 2017 performance criteria, representing 36% of gross annual base salary (i.e. 36% of EUR 474,300), one-third paid in cash and two-thirds awarded conditionally in shares.	EUR 180,420 (gross) based on 97% achievement of 2016 performance criteria, representing 38.80% of the gross annual base salary (i.e. 38.80% of EUR 465,000), one-third paid in cash and two-thirds awarded conditionally in shares.
CFO (J.H. Hemmen)	EUR 141,408.80 (gross)	EUR 102,965 (gross)	EUR 37,012.50 (gross)	Not applicable – effective date of appointment to the Executive Board 1 July 2019		

* The short-term incentive scheme for the years 2016 and 2017 is subject to the terms of the then applicable remuneration policy.

Long-term variable remuneration

The long-term variable remuneration component incentivizes members of the Executive Board to focus on long-term sustainable value for shareholders and other stakeholders; it thereby serves to align the interests of the members of the Executive Board with the long-term interests of shareholders and other stakeholder groups.

The members of the Executive Board annually receive conditional performance shares. The conditional performance shares will vest upon achievement of performance measured over a period of three years following the grant date and are restricted by a holding period for another two years after vesting.

The size of the award is defined as a percentage of the annual fixed gross base salary of the relevant Executive Board member as per the grant date, where the actual grant is determined by

this percentage and the average share price of the last quarter of the year immediately preceding the year of the grant date.

The target value at grant date is as follows:

CEO	55% of the annual fixed gross base salary of the CEO as per the grant date
CFO	50% of the annual fixed gross base salary of the CFO as per the grant date

The maximum opportunity for the long-term variable remuneration shall not exceed 150% of the target value.

As part of the reappointment of Joep van Beurden as CEO for a second four-year term, the General Meeting of Shareholders resolved on 8 April 2019 that the long-term variable remuneration of Joep van Beurden ranges from 0% to 90% of the annual fixed gross base salary of Joep van Beurden, with 60% being the target amount. The reappointment resolution

does not also encompass a change to the Executive Board Remuneration Policy (including the information in the table above) as adopted by the General Meeting of Shareholders in June 2020.

Performance measure

In order to support Kendrion's strategic intent, the vesting percentage of the performance shares is conditional upon the achievement of performance measured as:

Weight	Performance measure
40%	Relative total shareholder return (relative TSR)
40%	Basic earnings per share (EPS)
20%	Sustainability (i.e. environmental, social and/or governance)

Relative TSR

To determine achievement of this performance measure, the relative TSR is measured, which means share price movements, including dividends and assuming dividends are reinvested. The TSR performance of Kendrion is measured against the performance of twelve selected TSR peer companies included in the table below.

TSR Performance Peer Group				
#	Company	Activity	HQ	Listed
1.	Schneider Electric SE	Energy management / automation	FR	Paris
2.	Eaton Corporation plc	Actuators, valves, brakes, hydraulics etc. for industrial and automotive	IR	New York
3.	Sensata Technologies Holding NV	Sensors and controls for automotive, commercial vehicles and industrial	US	New York
4.	Aalberts Industries NV	Industrial fragmented	NL	Amsterdam
5.	Emerson Electric Co	Industrial automation	US	New York
6.	Continental AG	Automotive	GE	Frankfurt
7.	Schaeffler AG	Automotive	GE	Frankfurt
8.	TKH Group NV	Industrial	NL	Amsterdam
9.	Wabco Holdings Inc	Commercial vehicles part supplier	BE	New York
10.	Borg Warner Inc	Automotive, commercial vehicles	US	New York
11.	SKF AB	Bearings, seals, mechanical transmission	SW	Stockholm
12.	Phoenix Mecano AG	Electronic components, actuators	CH	Zurich
13.*	Grammer AG	Seating automotive commercial vehicles	GE	Frankfurt
14.*	Regal Beloit	Electric motors	FR	Paris
15.*	IMI Plc	Fluid control	UK	London

* Companies 13, 14 and 15 will be used as replacement companies in the case of delisting or other corporate events in respect of any of the selected TSR peer companies during the relevant performance period.

The position of Kendrion in the TSR performance peer group, after three years, determines the score for this measure in accordance with the following performance incentive zone:

Ranking	13	12	11	10	9	8	7	6	5	4	3	2	1
Vesting	0%	0%	0%	0%	0%	50%	75%	100%	100%	125%	150%	150%	150%

The position of Kendrion in the ranking defines the vesting for this part of the conditional grant of shares. The calculation to determine Kendrion's ranking shall be conducted by an external independent and reputable specialized firm.

EPS

EPS is disclosed in Kendrion's consolidated financial statements and is calculated by dividing the profit or loss attributable to shareholders of Kendrion by the weighted average number of shares outstanding during the relevant period, excluding ordinary shares purchased by Kendrion and held as treasury shares. Earnings are adjusted for changes in accounting principles during the performance period. The Supervisory Board sets the performance incentive zone (threshold, target and maximum) annually by reference to the mid-term plan as approved by the Supervisory Board in the year of the grant date. Given that these targets are considered commercially sensitive, EPS targets and the achieved performance are disclosed in the Annual Integrated Report after the relevant performance period.

The following performance incentive zone will be used to define the vesting for this part of the conditional grant of shares:

	< Threshold	Target	Maximum
EPS	0	100%	150%

The vesting is linear between threshold performance and on target performance and between on-target performance and maximum performance.

Sustainability

The Supervisory Board will annually set a sustainability target that is aligned with Kendrion's sustainability ambitions as reflected in the sustainability target framework.

The following performance incentive zone will be used to define the vesting for this part of the conditional grant of shares:

	< Threshold	Target	Maximum
Sustainability	0	100%	150%

The vesting is linear between threshold performance and on target performance and between on-target performance and maximum performance.

2022 long-term variable remuneration

Consistent with the applicable Remuneration Policy as adopted by the General Meeting Shareholders, the members of the Executive Board were granted conditional performance shares as described in the table below.

	2022 annual gross base salary	Target amount	Average share price Q4 2021	Conditional performance shares	Expiry vesting period	Expiry holding period
CEO (J.A.J. van Beurden)	EUR 550,000	EUR 330,000 (i.e. 60% of EUR 550,000)	EUR 20.44	16,144	Expiry performance period 2022-2024	End of 2026
CFO (J.H. Hemmen)	EUR 335,000	EUR 167,500 (i.e. 50% of EUR 335,000)	EUR 20.44	8,194	Expiry performance period 2022-2024	End of 2026

In accordance with the applicable Remuneration Policy, the vesting percentage of the performance shares is conditional upon the achievement of performance measured as relative TSR, EPS and a non-financial measure in the area of sustainability. The sustainability performance criteria for the 2022 long-term incentive are related to the development of strategies supportive to the gradual increase of economic activities that align with the EU Taxonomy and the proportionate realization of diversity targets.

2020 long-term variable remuneration

Pursuant to the 2020 long-term incentive scheme, 16,533 conditional performance shares have been granted to Joep van Beurden and 6,769 conditional performance shares have been granted to Jeroen Hemmen. The number of conditional performance shares has been calculated as follows:

	2020 annual gross base salary	Target amount	Average share price Q4 2019	Conditional performance shares
CEO (J.A.J. van Beurden)	EUR 550,000	EUR 330,000 (i.e. 60% of EUR 550,000)	EUR 19.96	16,533
CFO (J.H. Hemmen)	EUR 270,250	EUR 135,125 (i.e. 50% of 270,250)	EUR 19.96	6,769

Consistent with the applicable Remuneration Policy, the vesting percentage of the performance shares is conditional upon the achievement (during the performance period 2020-2022) of performance measured as:

Weight	Performance measure
40%	Relative total shareholder return (relative TSR)
40%	Basic earnings per share (EPS)
20%	Sustainability (i.e. environmental, social and/or governance)

A summary description of the performance measure in the area of sustainability for the performance period 2020-2022 has been included in the table below.

Summary description sustainability performance measure – 2020-2022

Achievement of measures in line with five-year roadmap containing energy efficiency and emission mitigation measures as part of the 2019-2023 sustainability target framework	<ul style="list-style-type: none"> ■ On target performance (i.e. 100% vesting): achievement 3/5th of five-year roadmap ■ Max. performance (i.e. 150% vesting): achievement of five-year roadmap ■ Min. threshold performance (i.e. 0% vesting): achievement less than 3/5th of five-year roadmap
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Vesting is linear between min. threshold performance and on-target performance and between on-target performance and max. performance.

TSR and EPS

When measuring the relative TSR (i.e., share price movements, including dividends assuming dividends are reinvested), the position of Kendrion in the predefined TSR performance peer group is eight. The eighth position results in a 50% vesting of 40% of the target value under the 2020 long-term incentive scheme. For the calculation of the relative TSR position, the external firm performing the calculation, assumed the reinvestment of cash dividend in fixed-income securities and the reinvestment of stock dividend in the relevant share itself. For Joep van Beurden 3,306 performance shares have vested and for Jeroen Hemmen 1,353 performance shares have vested for the achievement of the eighth position in the TSR ranking.

Based on the EPS performance incentive zones determined by the Supervisory Board by reference to the 2020 mid-term plan, the actual 2022 EPS exceeds the on-target performance but falls below the maximum performance of the 2022 EPS as

included in the 2020 mid-term plan. Vesting is linear between on-target performance and maximum performance. The 2022 EPS performance achieved justifies a 124% vesting of 40% of the target value under the 2020 long-term incentive scheme. For Joep van Beurden 8,200 performance shares have vested and for Jeroen Hemmen 3,356 performance shares have vested for the 2022 EPS performance achieved.

Sustainability – five-year energy and CO₂ roadmap

The five-year roadmap containing energy efficiency and emission mitigation measures that has been developed as part of the 2019-2023 sustainability target framework aims to achieve a 15% relative reduction of energy consumption and CO₂ emission by the end of 2023. The five-year roadmap was designed in 2019 after extensive review and recommendations by different specialists. The roadmap contains a significant number of measures that particularly enable the manufacturing facilities to realize energy efficiencies and CO₂ reductions.

As per the end of 2022 a relative reduction of energy consumption of 16.82% has been achieved compared with 2018, and a relative reduction of CO₂ emission of 29.94%

compared with 2018 has been achieved. Since 2015 a relative reduction of CO₂ emissions – mostly from energy by production plants – of 60% has been achieved. Through the accelerated investment in and implementation of reduction measures, both the energy efficiency and CO₂ emission target have been achieved a year ahead of the expiry of the 2019-2023 sustainability target framework. The accelerated investment and implementation of mitigation measures justify maximum performance under the 2020 long-term incentive scheme for the sustainability performance measure and thereby results in 150% vesting of 20% of the target-value. For Joep van Beurden 4,959 performance shares have vested and for Jeroen Hemmen 2,031 performance shares have vested for the achievement of the sustainability performance measure.

This means that a total number of 16,465 (i.e. the sum of 3,306, 8,200 and 4,959) shares have vested for Joep van Beurden and a total number of 6,740 (i.e. the sum of 1,353, 3,356 and 2,031) shares have vested for Jeroen Hemmen. The vested shares remain subject to a holding period until the end of 2024.

In accordance with the long-term incentive plan, Joep van Beurden and Jeroen Hemmen will be entitled to accrued dividend for each of the 16,465 and 6,740, respectively, vested shares. Accrued dividend will – in accordance with the long-term incentive plan – be paid in cash.

Development long-term incentive

The table below provides an overview of the development of the conditional share awards under the long-term incentive scheme for the members of the Executive Board during previous financial years. The table also specifies the expiry of vesting periods and holding periods for conditional shares awarded.

	2021			2020			2019			2018			2017			2016		
	number of shares	Expiry vesting period	holding period	number of shares	Expiry vesting period	holding period	number of shares	Expiry vesting period	holding period	number of shares	Expiry vesting period	holding period	number of shares*	Expiry vesting period	holding period	number of shares*	Expiry vesting period	holding period
Long-term incentive																		
CEO (J.A.J. van Beurden)	20,245	End of 2023	End of 2025	16,533	End of 2022	End of 2024	11,559	End of 2021	End of 2023	6,960	End of 2020	End of 2022	3,383	End of 2019	End of 2021	3,970	End of 2018	End of 2020
CFO (J.H. Hemmen)	9,533	End of 2023	End of 2025	6,769	End of 2022	End of 2024	2,409	End of 2021	End of 2023	Not applicable – effective date of appointment to the Executive Board 1 July 2019								

* The long-term incentive scheme for the years 2016 and 2017 is subject to the terms of the then applicable remuneration policy.

Pension arrangement and other benefits

Members of the Executive Board participate in the defined contribution pension scheme. Kendrion N.V. will pay: (i) the cost of contributions for participation in the defined contribution scheme; (ii) the risk premium for the surviving dependents' pension (*nabestaandenpensioen*) and (iii) the cost of contributions for participation in the occupational disability insurance (including *WIA exceedentverzekering*) (collectively the "Pension and Disability Insurance Contribution"). In addition, members of the Executive Board are entitled to an annual gross allowance to compensate for the loss of accrual of pension benefits because of the Dutch Wage Tax Act, provided that the sum of the Pension and Disability Insurance Contribution and such annual allowance shall annually not exceed an amount of EUR 75,000. This amount may be adjusted based on market developments.

No schemes have been agreed for the voluntary early retirement of members of the Executive Board.

Kendrion maintains a car lease policy for members of the Executive Board. The lease budget (including fuel) is EUR 2,000 per month. Alternatively, members of the Executive Board are entitled to a monthly gross car allowance of EUR 2,000.

In addition, Kendrion pays a monthly expense allowance to members of the Executive Board of up to EUR 450, to cover costs that are not suitable for individual reimbursement.

The amount of the car allowance and the expense allowance are not included as a basis for calculation of the Pension and Disability Insurance Contribution, or any other (variable) remuneration or allowance, severance amount or benefit.

Kendrion has arranged for a directors' and officers' liability insurance. The costs for this insurance are for the account of Kendrion.

The Executive Board participates in the defined contribution plan of Kendrion. The pension contribution in 2022 was EUR 75,000 (2021: EUR 75,000) for the CEO and EUR 69,954 (2021: EUR 65,972) for the CFO. In 2022 Kendrion provided the CFO with a car allowance in the monthly gross amount of EUR 2,000.

Share ownership guideline

An objective of the Remuneration Policy is increase alignment with the interests of shareholders by encouraging share ownership. Kendrion applies a share ownership guideline for members of the Executive Board of 100% of the annual fixed gross base salary for the CEO and 50% of the annual fixed gross base salary for the CFO. This shareholding must be gradually built up with performance shares earned under the long-term incentive, although it is permitted to sell shares to finance taxes due at the date of vesting of the performance shares, and by purchasing shares with at least 20% of the net amount of the pay-out of the short-term incentive.

Policy in case of change of control

Unvested performance shares awarded shall be deemed vested as per the date of the change of control assuming on target performance, subject to: (i) pro rating to reflect the proportion of the normal performance period that has elapsed as per the date of the change of control, and (ii) the discretionary authority of the Supervisory Board to determine otherwise, should such deemed vesting of performance shares result in unreasonable or unequitable remuneration.

Adjustment and claw back

The Supervisory Board is authorized to adjust the amount of the short-term and long-term variable remuneration to an appropriate level should payment thereof result in unreasonable or unequitable remuneration. In addition, a so-called claw-back provision applies by which the Supervisory Board has the authority to recover in whole or in part short-term and long-term variable remuneration awarded to members of the Executive Board should it transpire that such variable remuneration was unjustifiably awarded based on incorrect information.

Other key elements

Term and termination

Management agreements with members of the Executive Board are entered for a definite period of four years. The management agreement may be terminated with due observance of a notice period of six months. Kendrion is entitled to terminate the management agreement with immediate effect for cause (i.e., seriously culpable or negligent behavior on the part of the Executive Board member).

Termination fee

In the event of termination of the management agreement on Kendrion's initiative, the termination fee for members of the Executive Board shall not exceed 100% of the annual fixed gross base salary (i.e. excluding short-term and long-term incentive and other elements such as pension contributions). The members of the Executive Board are not entitled to a termination fee if the contract is terminated for cause (i.e. seriously culpable or negligent behavior on the part of the Executive Board member) or if the contract is terminated at the initiative of the Executive Board member.

Pay ratio

The Executive Board to employee pay-ratio is approximately 15 (2021: 15). This pay ratio is based on the average of the 2022 Executive Board remuneration including pensions and other expenses and the average wage costs per FTE in 2022 as disclosed on pages 62-63 of this Annual Integrated Report.

Remuneration Policy Supervisory Board

Objectives

The remuneration policy of the Supervisory Board serves to recruit and retain diverse, qualified and experienced members to supervise the manner in which the Executive Board implements Kendrion's long-term value creation strategy. Considering the nature of the supervisory responsibilities of the Supervisory Board, the remuneration is not linked to Kendrion's performance, and therefore includes a fixed component only. In line with good corporate governance, Supervisory Board members will not receive a share-based incentive.

The remuneration of the Supervisory Board shall be as described in the table below. The base fee and committee fee levels in the table below are the same as determined by the General Meeting of Shareholders on 11 April 2022.

Base fee

Chairman Supervisory Board	EUR	59,000
Member Supervisory Board	EUR	41,800

Committee fee

Chair Audit Committee	EUR	7,200
Member Audit Committee	EUR	6,000
Chair HR Committee	EUR	7,200
Member HR Committee	EUR	6,000

Expenses

All reasonable and documented expenses incurred by the Supervisory Board members in the course of performing their duties are reimbursed.

Benefits and loans

Members of the Supervisory Board are not eligible to participate in any benefits scheme offered by Kendrion to its employees, nor shall Kendrion provide loans.

The aggregate amount of the remuneration of the Supervisory Board members in 2022 was EUR 210,800 (2021: EUR 172,000). The table below gives a breakdown of the remuneration in 2022 per Supervisory Board member.

Supervisory Board member	2022	
F.J. van Hout (Chairman)	EUR	65,000
M.J.G. Mestrom	EUR	49,000
J.T.M. van der Meijs	EUR	49,000
E.M. Doll	EUR	47,800
Total	EUR	210,800

Advisory vote remuneration report 2021

The remuneration report 2021 has been discussed with the shareholders and put to the General Meeting of Shareholders for an advisory vote during the annual General Meeting of Shareholders held on 11 April 2022. Of the votes cast, 99.96% voted in favor of the 2021 remuneration report. Supported by this advisory vote, the Executive Board and the Supervisory Board considered that no substantive changes are needed relevant to the application of the Remuneration Policy. The voting results of the General Meeting of Shareholders held on 11 April 2022 can be found on the corporate website at www.kendrion.com.

Taking account of the content of this 2022 Remuneration Report, it is determined that the aggregate amount of remuneration awarded is in line with the Remuneration Policy and contributes to the performance of Kendrion and the execution of its long-term value creation strategy.

This 2022 Remuneration Report will be discussed with shareholders and put to the General Meeting of Shareholders for an advisory vote during the upcoming annual General Meeting of Shareholders to be held on 17 April 2023.

Remuneration components 2022

(in EUR)	CEO	%	CFO	%
Base salary	550,000	48%	335,000	53%
Short term incentive	267,438	23%	95,023	15%
Long term incentive	255,208	22%	104,470	17%
Pension contribution	75,000	7%	69,954	11%
Other	5,400	0%	27,600	4%
Total compensation	1,153,046	100%	632,047	100%

Executive Board remuneration comparative¹

EUR Thousand	2022	2021	2020	2019	2018	2017	2016
J.A.J. van Beurden, CEO	1,153.0	1,118.0	984.2	853.5 ²	768.4 ²	737.8	645.4
J.H. Hemmen, CFO	632.0	565.8	450.4	189.4			
<i>Remuneration of former Executive Board members</i>							
F.J. Sonnemans, CFO					689.0	662.6	533.3
Pay ratio	15	15	18	14	12	13	13
<i>Company performance</i>							
Revenue (EUR million)	519.3	464.0	396.4	412.4	448.6	461.8	443.4
Normalized EBITA (EUR million) ³	57.4	55.8	44.6	43.8	58.5	60.0	51.4
Normalized EBITA margin ³	11.1%	12.0%	11.3%	10.6%	13.0%	13.0%	11.6%

¹ Based on settled short-term and long-term benefits, refer to note 30 of the financial statements for detailed disclosure.

² Restated to include 2016 long-term incentive.

³ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to reconciliation of non-IFRS information, starting on page 210.

Supervisory Board remuneration comparative

	2022	2021	2020 (excl. fee reduction)	2019	2018	2017	2016
<i>Base fee</i>							
Chairman Supervisory Board	EUR 59,000	EUR 45,000	EUR 45,000	EUR 45,000	EUR 45,000	EUR 45,000	EUR 40,000
Member Supervisory Board	EUR 41,800	EUR 35,000	EUR 35,000	EUR 35,000	EUR 35,000	EUR 35,000	EUR 30,000
<i>Committee fee</i>							
Chair Committee	EUR 7,200	EUR 6,000	EUR 6,000	EUR 6,000	EUR 6,000	EUR 6,000	EUR 5,000
Member Committee	EUR 6,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000
Total Supervisory Board remuneration	EUR 210,800	EUR 172,000	EUR 172,000	EUR 172,000	EUR 172,000	EUR 172,000	EUR 150,000